THE BALANCE SHEET OF AGRICULTURE

1945

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EXPLANATION

This is the first of a series of annual reports whose purpose is to carry forward the comparative consolidated balance sheet of agriculture which was first published for the years 1940–44 by BAE in September 1944 in a report called "The Impact of the War on the Financial Structure of Agriculture" (printed edition, United States Department of Agriculture, Miscellaneous Publication No. 567, June 1945). In that study the nature and significance of the financial structure of agriculture were analyzed, and the meaning, use, and limitations of the consolidated balance sheet and its individual items were considered. Although not repeated in detail here, many of these considerations in the longer report continue to be pertinent, and may be referred to with profit by those who are examining the balance sheet of agriculture for the first time. In this publication it will suffice to remind the reader that in a country as vast and diversified as the United States, financial changes are never entirely uniform either for the various geographic areas or for individuals. Therefore, even when the consolidated balance sheet accurately reflects the aggregate, it does not reveal differences in circumstances that exist in different States and regions and among individual farmers. This report for 1945 was originally issued in processed form in June 1945.

Data on the inventories of real estate, livestock, crops, machinery, and household equipment were prepared under the direction of the following persons: Real estate—M. M. Regan, A. R. Johnson; livestock—C. L. Harlan; crops—C. E. Burkhead, T. J. Kuzelka, H. L. Rasor, J. A. Hicks; machinery—Selma F. Goldsmith, Harry C. Norcross, Roger F. Hale, Albert P. Brodell; household equipment—Dorothy N. Chellis.

The Balance Sheet of Agriculture, 1945

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SUMMARY ANALYSIS

Agriculture, like other segments of our national economy, is undergoing vast changes during the war—changes which have significant implications for the postwar period. In order to present an over-all picture of the financial changes that have taken place since the beginning of World War II, a comparative balance sheet for the farms of the United States has been prepared (table 1).

The purpose of the balance sheet is to contribute to an understanding of the financial condition of agriculture viewed not in its separate parts but as a single industry. A broad survey and analysis of the balance sheet as a whole and of the income situation are followed by a brief discussion of each principal element. Finally consideration is given to the significance of the balance sheet to the reconversion and postwar period.

Agriculture, as measured by the dollar value of its physical goods, has increased from a 49-billion-dollar industry to a 74-billion-dollar industry during the 5 years ended January 1, 1945. During 1944 alone the increase was from 69 to 74 billion dollars. Financial assets such as currency, deposits, and war bonds increased from an estimated 5 billion dollars on January 1, 1940 to 13 billion dollars on January 1, 1944, and to nearly 17 billion dollars on January 1, 1945.

The increases in the valuations of physical assets used in agriculture are due mainly to higher prices but in part to increased quantities. The higher prices at the beginning of 1945 of physical assets capable of yielding a series of annual incomes, like land and dairy herds, were mainly a consequence of relatively high and rising farm income. The increase in financial assets is a result of a combination of continued high net farm income and of restrictions on purchases of many goods. Continued high farm income is by all odds the most important single factor giving rise to changes in the balance sheet.

TABLE 1.—*Consolidated comparative balance sheet of farms of the United States, 1940–45* [1]

Item	Jan. 1, 1940	Jan. 1, 1941	Jan. 1, 1942	Jan. 1, 1943	Jan. 1, 1944	Jan. 1, 1945	Net change 1940–45		Net change 1944–45	
	Million dollars	*Million dollars*	*Million dollars*	*Million dollars*	*Million dollars*	*Million dollars*	*Percent*	*Million dollars*	*Percent*	*Million dollars*
ASSET ITEMS										
Physical assets:										
Real estate [2]	33,642	34,026	36,611	39,963	45,592	[3] 50,295	+50	+16,653	+10	+4,703
Non-real-estate:										
Livestock	5,132	5,320	7,042	9,541	9,537	8,869	+73	+3,737	−7	−668
Machinery and motor vehicles	3,135	3,319	3,959	4,180	4,380	4,774	+52	+1,639	+9	+394
Crops [4]	2,339	2,493	3,408	4,585	5,564	5,814	+149	+3,475	+4	+250
Household equipment	4,275	4,299	4,386	4,265	4,276	4,232	−1	−43	−1	−44
Financial assets:										
Warehouse receipts [4]	306	451	390	525	515	618	+102	+312	+20	+103
Deposits and currency	4,030	4,478	5,462	7,362	9,663	11,600	+188	+7,570	+20	+1,937
United States savings bonds	247	358	527	1,178	2,360	3,910	+1,483	+3,663	+66	+1,550
Other (in co-ops) [5]	660	660	660	660	660	660	±	±	±	±
Total	53,766	55,404	62,445	72,259	82,547	90,772	+69	+37,006	+10	+8,225
EQUITY ITEMS										
Liabilities:										
Real estate mortgages	6,586	6,534	6,484	6,117	5,635	5,271	−20	−1,315	−6	−364
Non-real-estate debt:										
To principal institutions:										
Excluding loans held or guaranteed by Commodity Credit Corporation	1,498	1,629	1,844	1,638	1,654	1,588	+6	+90	−4	−66
Loans held or guaranteed by Commodity Credit Corporation [6]	443	604	488	874	705	961	+117	+518	+36	+256
To others [6]	1,455	1,675	1,748	1,464	1,180	1,132	−22	−323	−4	−48
Proprietors' equities	43,784	44,962	51,881	62,166	73,373	81,820	+87	+38,036	+12	+8,447
Total equities	53,766	55,404	62,445	72,259	82,547	90,772	+69	+37,006	+10	+8,225

[1] All figures are estimated, the margin of error varying with the items. The data have been revised.
[2] As of April 1.
[3] Preliminary.
[4] Crops stored in unbonded warehouses escape inclusion either in inventory or in warehouse receipts. Likewise commodities in bonded warehouses which are not covered by a CCC loan agreement escape the estimate.
[5] Data for 1936–38.
[6] Tentative.

Farm Income

During 1944 agriculture again surpassed former records of production (table 2). Although production for market and home consumption was only about 6 percent higher in 1944 than in 1943 it was more than a fifth greater than in 1940. Thus, despite the loss of farm manpower to industry and the armed services, farmers have succeeded in producing considerably more food and fiber during the war than before. Favorable weather, long hours of work, and improved technology account for this achievement.

TABLE 2.—*Index of the volume of agricultural production for sale and for consumption in the farm home*

World War I (1910-14=100)				World War II (1935-39=100)			
Year	All production	Crops	Livestock and products	Year	All production	Crops	Livestock and products
1914	104	111	98	1939	106	107	106
1915	104	107	102	1940	110	107	112
1916	100	91	106	1941	113	109	115
1917	103	99	106	1942	124	121	126
1918	109	104	112	1943	128	114	137
1919	110	102	114	1944	136	129	141
1920	111	115	107				

This record of physical production is the real measure of the contribution agriculture made to winning the war. However, it is the monetary results of this production that chiefly affect the farmers' financial condition. Cash receipts from farm marketings (excluding Government payments) increased from 8.3 billion dollars in 1940 to 11.2 billion in 1941, 15.3 in 1942, 19.3 in 1943, and 19.8 in 1944 (table 3, item 1). All regions have shared in the increase in cash farm income during the war period (fig. 1). With the exception of the Great Plains, where a small decline occurred, farm income from marketings in all regions was slightly larger in 1944 than in 1943.

The total net income from agriculture, excluding Government payments, declined to 14.9 billion dollars in 1944 (table 3, item 15) as compared with 15.2 billion in 1943. The decline in net income took place in the face of rising gross income, which includes not only cash receipts from farm marketings but also the value of products retained on farms for home consumption and the rental value of farm homes (item 4). The decline in net income was caused partly by rising operating expenses (item 13). The principal cause, however, was in the necessary charge against receipts for heavy inventory reductions (item 14).[1] In other words, gross income in 1944 included returns not only from the sale of the enlarged output of the current year but also, in a larger degree than in the recent past, from the sale of the output of former years. As a result the inventory of such items for sale decreased 415 million dollars in 1944, reflecting particularly decreases in numbers of livestock on farms and to some extent decreases in values per head. Therefore, net income from agriculture was less in 1944 than in 1943 although gross income was larger.

[1] In accounting terms, "the cost of goods sold" was large.

If Government payments (table 3, item 16) are added to the net income from agriculture, the returns are increased to 15.7 billion dollars for 1944 (item 17). The 804 million dollars of Government payments were made for soil conservation and wartime objectives in accordance with legislative enactments. Although Government payments are lower now relative to total income from agriculture than in prewar years, the dollar amount was greater in 1944 than ever before. However, despite their volume, Government payments constituted but 5 percent of total net income from agriculture and Government payments in 1944. The most significant fact is that total net

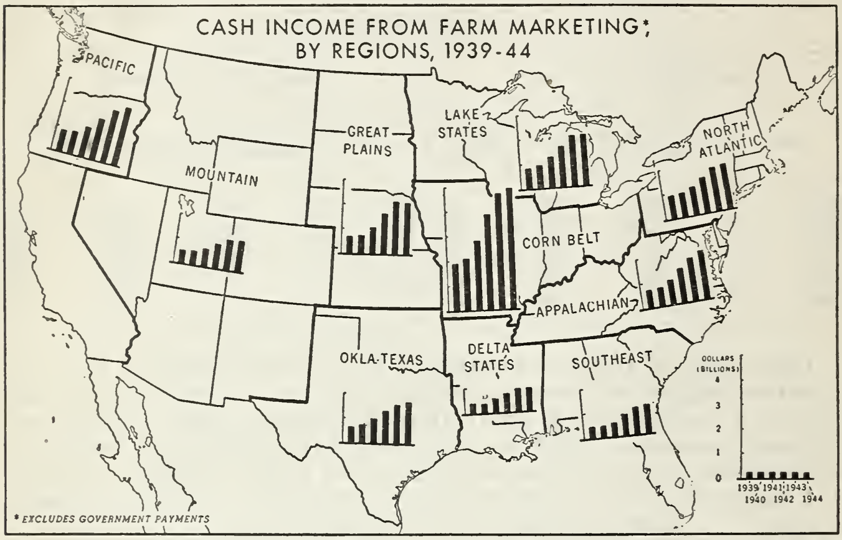

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FIGURE 1.—Cash income from farm marketing, excluding Government payments, has increased in all regions during war years. Except for the Great Plains, in which a slight decrease was registered, 1944 income was larger than that of 1943.

income was again very high—about two and a half times what it was in 1940.

The distribution of total net income from agriculture (including Government payments) which came into possession of laborers, landlords, creditors, and operators followed a slightly different pattern in 1944 than in earlier years. As compared with 1940, hired labor received about twice as much wage income (table 3, item 18). Landlords (item 22) and operators (item 27) received about two and a half times as much as in 1940, whereas creditors received less than in 1940 because interest payments became reduced as farmers' debts declined. Just how much operators earned from each type of contribution—labor, capital, and managerial activities—has not yet been determined. The proprietors—that is, the landlords and operators together—received 85 percent of total net income and Government payments in 1944 as compared with 86 percent in 1943 and 1942, 83 percent in 1941, and 80 percent in 1940. Creditors and hired labor received the remainder.

TABLE 3.—*Consolidated income statement for farms of the United States, 1940–44* [1]

	Item	1940		1941		1942		1943		1944	
	HOW NET INCOME WAS OBTAINED										
	Gross income from agriculture:	*Million dollars*		*Million dollars*		*Million dollars*		*Million dollars*		*Million dollars*	
1	Cash receipts from farm marketings	8,343		11,157		15,316		19,339		19,790	
2	Value of products retained on farms for home consumption	1,232		1,399		1,684		2,011		2,040	
3	Rental value of farm homes	624		658		702		753		812	
4	Total		10,199		13,214		17,702		22,103		22,642
	Nonlabor production costs:										
5	Feed bought	842		1,114		1,531		2,133		2,078	
6	Livestock bought, except horses and mules	456		567		756		719		647	
7	Fertilizer and lime bought	261		292		352		423		476	
8	Vehicle operation	568		631		714		782		831	
9	Depreciation and maintenance	1,095		1,235		1,360		1,457		1,624	
10	Interest on non-real-estate debt [2]	212		228		206		186		177	
11	Other operating expenses	646		683		863		980		1,041	
12	Taxes on real estate and tangible personalty	446		452		451		458		460	
13	Total		−4,526		−5,202		−6,233		−7,138		−7,334
14	Adjustment for changes in inventory [3]		+82		+299		+843		+256		−415
15	Total net income from agriculture		5,755		8,311		12,312		15,221		14,893
16	Government payments [4]		+766		+586		+697		+672		+804
17	Total net income from agriculture and Government payments		6,521		8,897		13,009		15,893		15,697
	HOW NET INCOME WAS DISTRIBUTED										
	Return to labor:										
18	Hired labor (cash and perquisites)	1,000		1,197		1,566		1,928		2,094	
19	Farm family labor	(5)		(5)		(5)		(5)		(5)	
20	Operators' labor	(5)		(5)		(5)		(5)		(5)	
21	Total		(5)		(5)		(5)		(5)		(5)
	Net return to investment in farming:										
	Return to capital—										
22	Net rent and Government payments to landlords not living on farms [6]	459		654		961		1,130		1,189	
23	Farm-mortgage interest	295		293		285		264		255	
24	Capital return to operators	(5)		(5)		(5)		(5)		(5)	
25	Total		(5)		(5)		(5)		(5)		(5)
	Return to management—										
26	Enterprisers' profit and loss	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)
27	Total to operators [7]	4,767		6,753		10,197		12,571		12,159	
17	Total net income from agriculture and Government payments		6,521		8,897		13,009		15,893		15,697

[1] Revised. All figures are estimates and vary in the margin of error.

[2] Includes an allowance for interest on one important though indeterminate debt element.

[3] Market value, in terms of prices at the end of the year, of the increase or decrease in the physical quantities of crops on farms for sale or of numbers of livestock, whether or not for sale.

[4] Includes some payments that are comparable to certain items included in item 1. Thus receipts from loans made or guaranteed by CCC are included in item 1, whereas consumers' price subsidies to dairy and other farmers are included in item 14.

[5] Unavailable.

[6] After subtraction of estimated payments for taxes, mortgage interest, and other expenses paid by such landlords.

[7] Reflects adjustment for changes in inventory values and represents the difference between item 17 and the sum of items 18, 22, and 23.

Based on United States Bureau of Agricultural Economics, Net Farm Income and Parity, 1940–44, U. S. Bur. Agr. Econ. Farm Income Situation, June 1945, pp. 17–28.

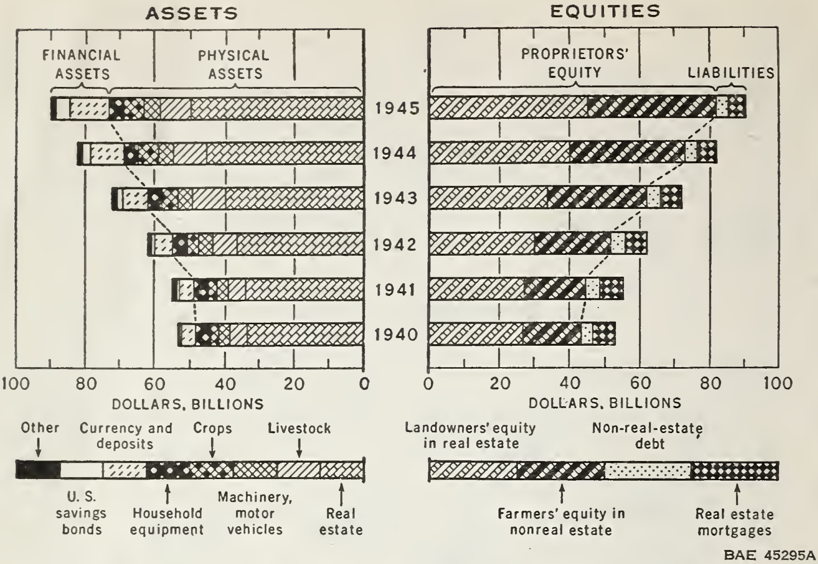

FIGURE 2.—COMPARATIVE CONSOLIDATED BALANCE SHEET OF AGRICULTURE, JANUARY 1, 1940–45 (ASSETS AND EQUITIES IN BILLIONS OF DOLLARS)

Since 1940 the balance sheet of agriculture has been characterized by a steady increase in the value of assets. In dollar terms, farm real estate has increased the most—largely because of rising prices. The values of other physical assets such as livestock and crops and of financial assets such as cash and war bonds likewise have increased significantly. The equities have been characterized by a rapid increase in the proprietary account and a small decline in creditors' accounts which constitute debts of the farmers.

How the Assets Changed in 1944

During 1944 total assets of farmers increased 8,225 million dollars. Of this increase, 56 percent or 4,635 million dollars occurred in the physical assets and 44 percent or 3,590 million dollars in the financial assets (fig. 2).

Real estate values constituted 55 percent of total assets on both January 1, 1945, and January 1, 1944, compared with 63 percent on January 1, 1940 (fig. 3). The value of other physical assets constituted 26 percent of total assets on January 1, 1945, compared with 29 percent on January 1, 1944, and 28 percent on January 1, 1940.

Financial assets were 19 percent of all assets on January 1, 1945, compared with 16 percent on January 1, 1944, and 10 percent on January 1, 1940. Thus while the relative importance of real estate has declined since 1940, that of the financial assets has increased. The relative importance of other physical property remained about the same.

Price Versus Quantity Changes

The increase in value of physical assets during 1944 was largely the result of a 4.7-billion-dollar rise in land values. A 394-million-dollar increase in machinery and automobiles and a 250-million-dollar increase in crops on hand were almost exactly offset by a 668-million-dollar decrease in the value of livestock.

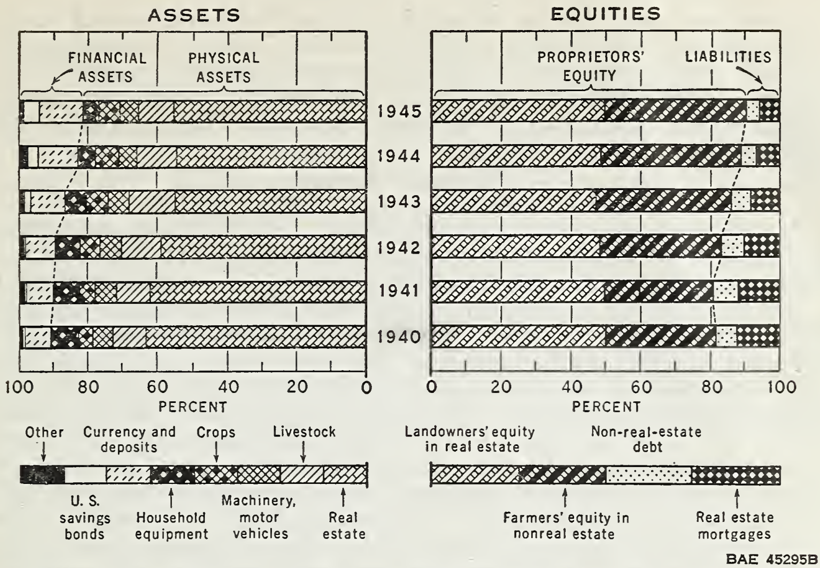

FIGURE 3.—COMPARATIVE CONSOLIDATED BALANCE SHEET OF AGRICULTURE, JANUARY 1, 1940-45 (PERCENTAGE DISTRIBUTION OF ASSETS AND EQUITIES)

Since 1940 the balance sheet of agriculture has revealed the steadily increasing relative importance of financial assets of farmers. Despite greater dollar valuations, farm real estate constitutes a smaller proportion of assets than at the beginning of the period. Liabilities have become a much smaller proportion of total equities than formerly while the proprietors' equity has become greater.

About 300 million dollars of the increase in the value of machinery during 1944 was due to price changes and about 100 million dollars to an increase in the physical amount of machinery on farms. Virtually the entire increase in the inventory value of crops on farms was the result of an increase in physical quantity as the composite price index of all crops showed little change during the year.

The decreased value of livestock was due primarily to a reduction in the number of animals and, in part, to a reduction in the values per head of all animals except hogs and poultry. Only milk cows increased in numbers.

How the Equities Changed

During 1944 the proprietors' interest in agriculture rose 8,447 million dollars while the creditors' interest was reduced about 222 million dollars. In the 5 years ended January 1, 1945 the proprietary interest has increased over 38 million dollars while the creditor-interest has decreased over 1 billion dollars. "Proprietors" include not only owner- and tenant-operators, but also the landlords who do not live on farms.

On January 1, 1945 proprietors held a 90-percent interest in the physical and financial assets associated with agriculture. That is, creditors' claims now equal only one-tenth of the total value of these assets. Of course, many farmers owe nothing, whereas others operate on a very narrow equity. So long as high income continues many

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farmers may find use for large amounts of borrowed capital but if farm income falls sharply their debt may become unmanageable. This is particularly true if the loan contract requires periodic fixed reductions of principal. In view of the unequal distribution of the debt load the indebtedness of farmers must not be dismissed as having no significance.

Financial Ratios

Total assets associated with agriculture were valued at more than 10 times total indebtedness on January 1, 1945, compared with a little more than 5 times total indebtedness at the beginning of 1940.

Financial assets on January 1, 1945 were about 1.9 times the total debt, whereas a year earlier they were 1.4 times the debt, and on January 1, 1940 only one-half of the total debt. Of course, this liquid position of agriculture as a whole does not prevail uniformly among individual farmers. Moreover, a considerable portion of the increase in liquid assets is due to deferred replacements of equipment and to delayed maintenance. Repair and replacement of worn-out structures and equipment will make heavy inroads on farmers' cash.

The ratio of "quick assets" to "current liabilities" is high. How high, cannot be learned with accuracy because dairy cows and breeding stock are included with other livestock intended for sale, and the amount of debt currently coming due is not known. Bank deposits and currency appear to be more than three times non-real-estate debts. Although most of such debts are due in the immediate future, some real estate or long-term debts also are due currently. If it be assumed that 10 percent of real estate debt and all non-real-estate debts are currently due, the deposits and currency would still be 2.8 times the assumed current obligations as compared with a ratio of 1.0 to 1.0 on January 1, 1940.

During 1944 the relationship of income to financial obligations was highly favorable. Although interest constituted a significant expenditure for many individual farmers, in the aggregate it was rather small in comparison with net income. In 1940 the total income received by all farm proprietors (landlords, owner-operators, tenants, and owners of manager-operated farms) was only 10 times interest payments, whereas in 1944 it was 31 times interest.

These various financial ratios highlight the favorable position in which agriculture now finds itself. It must be remembered, however, that costs are rising and that the peak of net income may have been reached in 1943. A combination of extremely favorable crop years, advantageous price relationships, and hard work and thrift on the part of the farmer have made these favorable ratios possible.

THE ASSET ITEMS

Farm operations require relatively heavy investment in land and other forms of physical capital, and they are much facilitated by substantial amounts of financial capital like currency and bank deposits. This section deals with the changes in value and amount of the various agricultural assets that occurred during 1944 and in the 5 years following January 1, 1940.

Farm Real Estate

Real estate, the farmers' largest single asset, is now valued at more than 50 billion dollars. The 4.7-billion-dollar rise during 1944, an increase of nearly 11 percent, constituted the greatest dollar increase of any item in the balance sheet. Except for the 5.6-billion-dollar rise in 1943, the increase in land values is greater than in any other year since the last wartime boom that ended in 1920 (table 4).

Average land values increased in all States during 1944. Regionally, the greatest percentage rises in values per acre were 14 in the Southeast and Pacific and 13 in the Appalachian and Delta regions (table 5). Lesser increases of 6, 8, and 8 percent occurred in the Lake States, Corn Belt, and the Northeast respectively. Compared with 1940, the 1945 per acre values for the United States as a whole are 50 percent higher. In the Northeast values are only 29 percent higher, whereas in the Mountain and Pacific regions current values are 58 percent higher than in 1940.

Several factors have stimulated a strong demand for farms. Prices of farm products in 1944 reached the highest levels so far attained during this war. In addition, a heavy accumulation of savings in the hands of farmers and others, and ample supplies of credit at favorable interest rates have continued to facilitate the rise. The large number of resales after only a brief ownership indicate that speculation may be an influence in the farm real estate market in some areas. Farm real estate also is being bought and held by many as a hedge against possible inflation. It is probable that in many cases current sale prices of farms are higher than can be justified on the basis of long-time earning capacity.

A study of farm transfers in sample counties scattered throughout the United States showed that 55 percent of the sales during 1944 were for cash as compared with 52 percent in 1943 and 45 percent in 1942. Of the sales financed by credit during 1944 indications are that two-fifths carried a debt of 75 percent or more of the purchase price. In some of these sales involving credit, the farm buyers have assumed a debt greater than the full market value of the property 4 years ago.

From 1940 to 1944 the average value per acre increased 36 percent, which was about the same increase as occurred in the comparable period 1915–19 (fig. 4). During 1944, however, values increased only 11 percent, whereas the increase in 1919 was 21 percent. On January 1, 1945 farm real estate values were 74 percent of the 1920 level. These comparisons are not entirely valid because 1944 and 1919 do not represent comparable periods in the progress of the two wars. The year 1944 was one of active warfare with the end not yet in sight, whereas 1919 was a postwar year.

TABLE 4.—*Farm real estate: Estimated total value of farm land and buildings, by selected regions, by years, 1915–20 and 1940–45* [1]

Year	United States [2]	Northeast [3]	Appalachian [4]	Southeast [5]	Lake States [6]	Corn Belt [7]	Delta States [8]	Great Plains [9]	Texas-Oklahoma	Mountain [10]	Pacific [11]
	Million dollars	*Million dollars*	*Million dollars*	*Million dollars*	*Million dollars*	*Million dollars*	*Million dollars*	*Million dollars*	*Million dollars*	*Million dollars*	*Million dollars*
WORLD WAR I											
1915	39,597	3,080	2,848	1,258	3,947	13,425	905	6,185	2,956	1,801	3,191
1916	42,271	3,142	3,147	1,348	4,406	14,407	1,030	6,576	3,032	1,886	3,297
1917	45,531	3,339	3,459	1,467	4,823	15,124	1,150	7,037	3,382	2,109	3,640
1918	49,986	3,448	3,939	1,708	5,333	16,383	1,326	7,778	3,891	2,335	3,845
1919	54,539	3,525	4,506	2,142	5,676	17,677	1,514	8,702	4,136	2,651	4,011
1920	66,316	3,920	5,299	2,777	6,926	21,978	2,017	10,504	5,064	3,163	4,669
WORLD WAR II											
1940	33,642	2,780	3,457	1,552	3,544	9,031	1,286	3,555	3,421	1,780	3,237
1941	34,026	2,797	3,521	1,616	3,546	9,211	1,333	3,482	3,429	1,821	3,268
1942	36,611	2,892	3,806	1,708	3,815	10,193	1,458	3,666	3,644	1,968	3,461
1943	39,963	3,118	4,232	1,855	4,141	11,098	1,613	4,069	3,855	2,184	3,798
1944	45,592	3,306	4,798	2,143	4,653	12,739	1,781	4,798	4,309	2,547	4,518
1945 [12]	50,295	3,583	5,423	2,441	4,947	13,734	2,013	5,381	4,760	2,871	5,142

[1] 1915–20 values as of January 1, 1940–45 values as of April 1.
[2] Because of rounding, figures may not add to totals.
[3] Maine, New Hampshire, Vermont, Massachusetts, Rhode Island, Connecticut, New York, New Jersey, and Pennsylvania.
[4] Delaware, Maryland, Virginia, West Virginia, North Carolina, Kentucky, Tennessee, and District of Columbia.
[5] South Carolina, Georgia, Florida, and Alabama.
[6] Michigan, Wisconsin, and Minnesota.
[7] Ohio, Indiana, Illionis, Iowa, and Missouri.
[8] Mississippi, Arkansas, and Louisiana.
[9] North Dakota, South Dakota, Nebraska, and Kansas.
[10] Montana, Idaho, Wyoming, Colorado, New Mexico, Arizona, Utah, and Nevada.
[11] Washington, Oregon, and California.
[12] Preliminary.

TABLE 5.—*Farm real estate: Index numbers of estimated value per acre by regions, 1915–20 and 1940–45, with selected relationships* [1]

(1912-14=100)

Region	World War I Period						World War II Period						Increase			Ratio
	1915	1916	1917	1918	1919	1920	1940	1941	1942	1943	1944	1945 [2]	1915 to 1920	1940 to 1945	1944 to 1945	1945 to 1920
													Percent	*Percent*	*Percent*	*Percent*
United States	103	108	117	129	140	170	84	85	91	99	114	126	65	50	11	74
Northeast [3]	100	103	112	117	121	137	94	95	98	105	112	121	37	29	8	88
Appalachian [4]	100	112	124	142	164	194	113	115	124	138	157	177	94	57	13	91
Southeast [5]	95	102	110	127	158	204	103	106	112	122	140	160	115	55	14	78
Lake States [6]	105	118	129	142	151	183	86	86	93	101	113	120	74	40	6	66
Corn Belt [7]	106	114	120	131	141	176	72	74	82	89	102	110	66	53	8	62
Delta States [8]	96	109	122	141	161	214	106	108	120	133	146	165	123	56	13	77
Great Plains [9]	102	107	114	125	139	166	57	56	59	66	77	86	63	51	12	52
Texas-Oklahoma	101	103	115	133	141	173	98	98	104	110	123	136	71	39	11	79
Mountain [10]	98	98	106	117	130	151	76	78	84	92	107	120	54	58	12	79
Pacific [11]	107	111	122	129	134	156	108	109	115	126	150	171	46	58	14	110

[1] All farm land with improvements as of March 1.
[2] Preliminary.
[3] Maine, New Hampshire, Vermont, Massachusetts, Rhode Island, Connecticut, New York, New Jersey, and Pennsylvania.
[4] Delaware, Maryland, Virginia, West Virginia, North Carolina, Kentucky, and Tennessee.
[5] South Carolina, Georgia, Florida, and Alabama.
[6] Michigan, Wisconsin, and Minnesota.
[7] Ohio, Indiana, Illinois, Iowa, and Missouri.
[8] Mississippi, Arkansas, and Louisiana.
[9] North Dakota, South Dakota, Nebraska, and Kansas.
[10] Montana, Idaho, Wyoming, Colorado, New Mexico, Arizona, Utah, and Nevada.
[11] Washington, Oregon, and California.

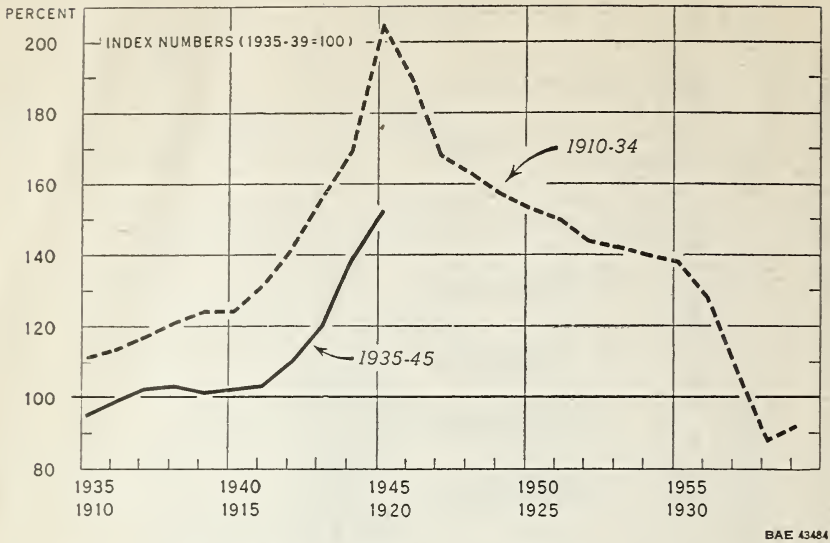

FIGURE 4.—FARM REAL ESTATE: AVERAGE VALUE PER ACRE, 1910–34 AND 1935–45.

On March 1, 1945, the index of the average value per acre of farm real estate was 152 (1935–39=100). The index on March 1, 1920 was 205 or about 35 percent higher than current values. The percentage increases from 1940 to 1944 were about the same as those in the period, 1915 to 1919. However, the increase in 1944 was only 11 percent as compared with 21 percent in 1919. Of course, 1919 was a postwar year, whereas 1944 was still one of active warfare.

Non-Real-Estate Physical Inventories on Farms

The value of the non-real-estate physical inventories on farms January 1, 1945 showed a decline from that of a year earlier (table 6). The importance of this decline—the first to occur in World War II—lies not in the absolute fall in value, which was small, but in the fact that it represents a reversal of the upward trend of recent years. Between January 1, 1940 and January 1, 1944 the value of such assets increased from 14,881 million dollars to 23,757 million dollars or nearly 60 percent. The decrease in value during 1944 amounted to only 67 million dollars. This net reduction resulted from a decline of nearly 668 million dollars in the value of livestock offset in part by an increase in the value of crops and of machinery and motor vehicles. The value of household furnishings and equipment also decreased slightly.

TABLE 6.—*Inventory value of non-real-estate physical assets on farms, by classes, United States, Jan. 1, 1940–45*

Class	1940	1941	1942	1943	1944	1945
	1,000 dollars	*1,000 dollars*	*1,000 dollars*	*1,000 dollars*	*1,000 dollars*	*1,000 dollars*
Livestock [1]	5,132,448	5,320,000	7,041,633	9,540,681	[2] 9,537,087	8,869,437
Crops [3]	[2] 2,338,641	[2] 2,492,535	[2] 3,408,481	[2] 4,584,726	[2] 5,563,940	5,814,347
Machinery and motor vehicles [4]	3,135,000	3,319,000	3,959,000	[2] 4,180,000	[2] 4,380,000	4,774,000
Household equipment	4,275,000	[2] 4,299,000	[2] 4,386,000	[2] 4,265,000	[2] 4,276,000	4,232,000
Total	[2] 14,881,089	[2] 15,430,535	[2] 18,795,114	[2] 22,570,407	[2] 23,757,027	23,689,784

[1] Includes horses, mules, cattle, hogs, sheep, and poultry.
[2] Revised.
[3] Includes grains, hay and forage, oil crops, vegetables, tobacco, and miscellaneous crops.
[4] Includes tractors, trucks, automobiles, and other farm machinery.

REGIONAL VARIATIONS IN INVENTORIES

Despite a slight decline in the total value of all non-real-estate physical inventories between 1944 and 1945, increases occurred in more than half of the regions (table 7). The largest increases occurred in the Delta and Texas-Oklahoma regions whereas the major declines took place in the Corn Belt, Mountain, and Pacific regions. Non-real-estate physical inventories of the areas which show an increase were strongly influenced by the larger value of crops on hand. The value of crops on farms in the Delta States was 35 percent larger on January 1, 1945 than a year earlier and the percentage increase in the Texas-Oklahoma area was nearly as large. On the other hand, the decline in values in the Corn Belt, Mountain, and Pacific regions reflects primarily the decrease in the value of livestock, although a decrease in the value of crops on farms contributed somewhat to the decline in the Corn Belt and Mountain regions. All regions showed an increased inventory value of machinery and motor vehicles (fig. 5).

LIVESTOCK ON FARMS

Contrary to the trend of most farm assets, the value of livestock decreased during 1944. Reflecting a decrease both in numbers and in value per head, the value of livestock on farms, estimated at 8.9 billion dollars on January 1, 1945, was about 7 percent lower than a year earlier (table 8).

At the beginning of 1944, the numbers of cattle, hogs, and chickens were the largest ever recorded. The numbers of all types of livestock except milk cows decreased during 1944, the largest decreases occurring in hogs, chickens, and sheep. The number of sheep reached an all-time peak on January 1, 1942, and has declined each year since. The number of horses and mules has declined over a long period. During 1944 there was also a decrease in the value per head of all classes of livestock except hogs, chickens, and turkeys.

The general decrease in the numbers of all livestock largely reflects the smaller quantity of feed available in the early months of 1944 and the relatively unfavorable livestock-feed price situation. The decline in livestock numbers and a record production of feed crops in 1944 relieved this condition considerably. The supply of feed grain per animal unit was 27 percent larger on January 1, 1945 than a year earlier and was the highest in 20 years.

TABLE 7.—*Inventory value of non-real-estate physical assets on farms, by classes and regions, United States, Jan. 1, 1940–45*

Class	1940	1941	1942	1943	1944	1945	1940	1941	1942	1943	1944	1945
	1,000 dollars	*1,000 dollars*	*1,000 dollars*	*1,000 dollars*	*1,000 dollars*	*1,000 dollars*	*1,000 dollars*	*1,000 dollars*	*1,000 dollars*	*1,000 dollars*	*1,000 dollars*	*1,000 dollars*
	Northeast						Lake States					
Livestock [1]	478,946	488,485	581,957	778,527	[2] 841,098	815,532	687,853	715,731	952,022	1,261,729	[2] 1,284,766	1,194,877
Crops [3]	[2] 232,389	[2] 220,902	[2] 273,185	[2] 317,144	[2] 382,305	408,001	[2] 333,100	[2] 362,386	[2] 430,540	[2] 555,670	[2] 665,473	716,222
Machinery and motor vehicles [4]	375,732	397,785	351,435	[2] 368,626	[2] 392,124	431,270	500,813	530,207	641,682	[2] 673,567	[2] 703,472	761,326
Total	[2] 1,087,067	[2] 1,107,172	[2] 1,206,577	[2] 1,464,297	[2] 1,615,527	1,654,803	[2] 1,521,766	[2] 1,608,324	[2] 2,024,244	[2] 2,490,966	[2] 2,653,711	2,672,425
	Corn Belt						Great Plains					
Livestock [1]	1,223,230	1,252,053	1,745,791	2,479,725	[2] 2,400,696	2,179,707	545,026	592,980	835,064	1,247,733	[2] 1,197,701	1,114,284
Crops [3]	[2] 811,314	[2] 834,296	[2] 1,158,838	[2] 1,509,647	[2] 1,827,703	1,681,525	[2] 268,498	[2] 285,462	[2] 543,321	[2] 833,324	[2] 941,152	1,057,332
Machinery and motor vehicles [4]	760,680	805,326	1,118,031	[2] 1,204,334	[2] 1,263,819	1,371,576	358,314	379,344	606,709	[2] 632,781	[2] 651,416	712,137
Total	[2] 2,795,224	[2] 2,891,675	[2] 4,022,660	[2] 5,193,706	[2] 5,492,218	5,232,808	[2] 1,171,838	[2] 1,257,786	[2] 1,985,094	[2] 2,713,838	[2] 2,790,269	2,883,753
	Appalachian						Southeast					
Livestock [1]	472,511	461,586	568,781	756,601	[2] 801,920	713,837	252,410	245,979	301,421	386,888	[2] 447,186	416,197
Crops [3]	[2] 251,123	[2] 266,760	[2] 316,068	[2] 449,659	[2] 569,406	663,651	[2] 75,977	[2] 94,463	[2] 102,794	[2] 138,616	[2] 207,982	212,769
Machinery and motor vehicles [4]	221,424	234,420	246,939	[2] 253,558	[2] 269,525	298,674	112,526	119,131	99,836	[2] 103,836	[2] 110,731	125,732
Total	[2] 945,058	[2] 962,766	[2] 1,131,788	[2] 1,459,818	[2] 1,640,851	1,676,162	[2] 440,913	[2] 459,573	[2] 504,051	[2] 629,340	[2] 765,899	754,698

	Delta States						Texas-Oklahoma					
Livestock [1]	231,118	227,191	280,854	364,828	[2] 378,800	354,163	476,171	494,230	666,182	883,356	[2] 798,928	781,866
Crops [3]	[2] 66,757	[2] 84,778	[2] 98,312	[2] 130,803	[2] 150,204	203,821	[2] 109,550	[2] 154,001	[2] 181,124	[2] 231,358	[2] 273,678	358,750
Machinery and motor vehicles [4]	116,300	123,126	113,268	[2] 120,117	[2] 126,039	139,629	265,537	281,122	360,978	[2] 385,231	[2] 398,691	431,335
Total	[2] 414,175	[2] 435,095	[2] 492,434	[2] 615,748	[2] 655,043	697,613	[2] 851,258	[2] 929,353	[2] 1,208,284	[2] 1,499,945	[2] 1,471,297	1,571,951
	Mountain						Pacific					
Livestock [1]	484,414	521,071	696,752	875,045	[2] 862,677	814,276	280,769	320,694	412,809	506,249	[2] 523,315	484,698
Crops [3]	[2] 129,421	[2] 129,718	[2] 209,427	[2] 294,329	[2] 378,056	350,998	[2] 60,512	[2] 59,769	[2] 94,872	[2] 124,176	[2] 167,981	161,278
Machinery and motor vehicles [4]	184,924	195,777	211,341	[2] 219,735	[2] 233,237	251,299	238,750	252,762	208,781	[2] 218,215	[2] 230,946	251,022
Total	[2] 798,759	[2] 846,566	[2] 1,117,520	[2] 1,389,109	[2] 1,473,970	1,416,573	[2] 580,031	[2] 633,225	[2] 716,462	[2] 848,640	[2] 922,242	896,998

[1] Includes estimates of the value of horses, mules, cattle, hogs, sheep, and poultry.
[2] Revised.
[3] Includes estimates of the value of grains, hay and forage, oil crops, vegetables, tobacco, and miscellaneous crops.
[4] Includes tractors, trucks, automobiles, and other farm machinery.

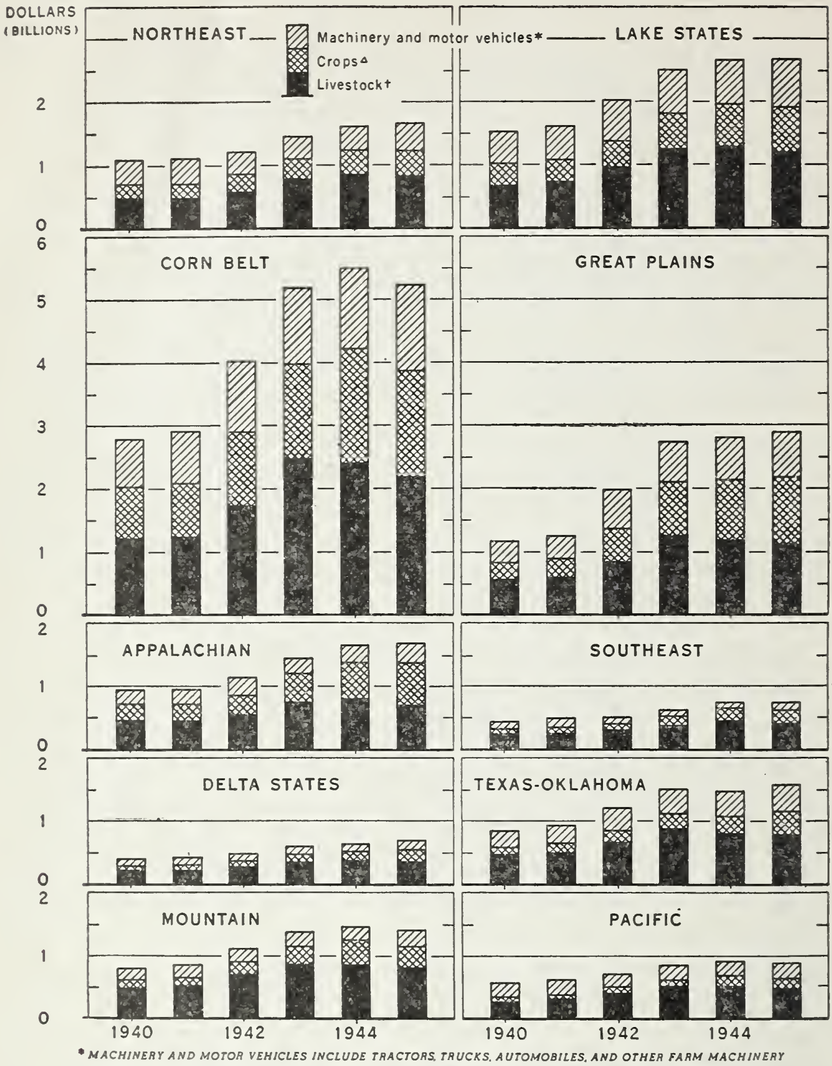

FIGURE 5.—INVENTORY VALUE OF NON-REAL-ESTATE PHYSICAL ASSETS ON FARMS, BY CLASSES AND REGIONS, UNITED STATES, JANUARY 1, 1940–45.

The inventory value of all classes of physical assets, with but few exceptions, has increased continuously between January 1, 1940 and January 1, 1945. Declines in the inventory value of physical assets in the Corn Belt, Mountain, and Pacific regions during 1944 reflect primarily the decrease in the value of livestock, although a reduction in the value of crops on farms contributed to the decline in the Corn Belt and Mountain regions.

TABLE 8.—*Number, value per head, and total inventory value of livestock on farms, United States, Jan. 1, 1940–45*

NUMBER ON FARMS

Year	Horses	Mules	Cattle and calves		Sheep	Hogs	Poultry	
			Milk cows	Total			Chickens	Turkeys
	Thousands	*Thousands*	*Thousands*	*Thousands*	*Thousands*	*Thousands*	*Thousands*	*Thousands*
1940	10,442	4,039	24,926	68,197	52,399	61,115	438,288	8,569
1941	10,214	3,922	25,478	71,461	54,283	54,256	422,909	[1] 7,252
1942	9,907	3,813	26,398	75,162	56,735	60,377	474,910	7,623
1943	9,675	3,704	27,106	79,114	55,775	73,736	540,798	6,704
1944 [1]	9,302	3,531	27,656	82,364	51,769	83,852	576,441	7,572
1945	8,897	3,408	27,785	81,760	47,945	60,660	511,130	7,491

VALUE PER HEAD

Year	Horses	Mules	Milk cows	Total	Sheep	Hogs	Chickens	Turkeys
	Dollars	*Dollars*	*Dollars*	*Dollars*	*Dollars*	*Dollars*	*Dollars*	*Dollars*
1940	77.34	115.83	57.28	40.58	6.31	7.78	.60	2.14
1941	68.27	107.21	60.90	43.26	6.73	8.34	.65	2.26
1942	64.75	107.51	77.89	55.08	8.61	15.62	.83	3.08
1943	79.96	127.56	99.52	69.56	9.68	22.53	1.04	4.46
1944 [1]	78.79	143.22	102.04	68.73	8.72	17.54	1.17	5.29
1945	64.81	133.09	99.29	67.34	8.58	20.81	1.21	5.75

TOTAL INVENTORY VALUE

Year	Horses	Mules	Milk cows	Total	Sheep	Hogs	Chickens	Turkeys
	1,000 dollars	*1,000 dollars*	*1,000 dollars*	*1,000 dollars*	*1,000 dollars*	*1,000 dollars*	*1,000 dollars*	*1,000 dollars*
1940	807,540	467,821	1,427,707	2,767,300	330,775	475,700	265,000	18,312
1941	697,352	420,469	1,551,679	3,091,259	365,496	452,586	276,427	16,411
1942	641,520	409,929	2,056,148	4,140,256	488,468	942,931	395,042	23,487
1943	773,609	472,481	2,697,652	5,502,802	539,650	1,661,215	561,027	29,897
1944 [1]	732,865	505,710	2,822,040	5,661,097	451,383	1,470,533	675,408	40,091
1945	576,649	453,581	2,758,870	5,505,410	411,220	1,262,057	617,445	43,075

[1] Revised.

CATTLE

The value of cattle on farms January 1, 1945 was estimated at 5,505 million dollars or 62 percent of the total value of all livestock. Nearly half of this sum, 2,759 millions represented milk cows. During 1944 the number of all cattle decreased by nearly 604,000 whereas the number of milk cows increased by 129,000. Calves decreased about 1½ million head. Calves being saved for milk cows decreased about 389,000. This is one of the sharpest declines in number of calves on record and reflects the increased slaughter of young stock during the year.

The decline in number of cattle on farms during 1944 has been accompanied by a decrease in the average value per head of from \$68.70 on January 1, 1944 to \$67.30 on January 1, 1945. On January 1, 1943 the average value per head was at an all-time peak of \$69.60. The average value of milk cows also decreased during 1944 from \$102.00 to \$99.30 per head.

HOGS

Although the value of hogs on farms, estimated at 1,262 million dollars on January 1, 1945, was about 15 percent below the value of a year earlier, the number of hogs declined nearly 28 percent from the peak on January 1, 1944. The number of hogs on farms at the beginning of 1945 was, nevertheless, larger than on January 1, 1941 and 1942 and nearly as large as for 1940. A 19-percent increase in the value per head during 1944 prevented as large a decline in inventory values as in numbers. The value per head of \$20.80 on January 1, 1945, however, is still below the all-time high of \$22.50 on January 1, 1943.

HORSES AND MULES

The inventory value of horses and mules of slightly over 1 billion dollars on January 1, 1945 was down nearly 17 percent from a year earlier. The value of horses decreased over 21 percent while that for mules was down about 10 percent. The major reason for the drop was a decrease in the average value per head of about 13 percent. The number of both horses and mules on farms decreased only about 4 percent during 1944. This is a continuation of a downward trend which began in 1915 for horses and in 1926 for mules.

SHEEP

The inventory value of sheep on January 1, 1945 is estimated at 411 million dollars, or about 9 percent below that reported for the beginning of 1944. Numbers fell about 7.5 percent, whereas the value per head declined about 2 percent.

CHICKENS AND TURKEYS

During 1944 the value of chickens on farms declined nearly 9 percent, as the result of decreases both in numbers and in value per head. The inventory value of turkeys was higher on January 1, 1945 than a year earlier. This was due to an 8.7-percent increase in the value per head—the number of turkeys on farms decreased slightly.

INVENTORY VALUE OF CROPS ON FARMS

The value of crops on farms January 1, 1945 is estimated at 5,814 million dollars, or about 250 millions more than a year earlier. The major increases during 1944 occurred in tobacco and in the "miscellaneous" group of crops (table 9). The value of tobacco on farms January 1, 1945 is estimated at 267 million dollars, compared with 178 million a year earlier. Prices of tobacco received by growers on January 1, 1945 were only about 4 percent higher than a year earlier so that the larger value of the tobacco inventory was due primarily to to the larger quantity of tobacco on farms.

TABLE 9.—*Inventory value of crops on farms, by classes, United States, Jan. 1, 1940–45* [1]

Class	1940	1941	1942	1943	1944	1945
	1,000 dollars	*1,000 dollars*	*1,000 dollars*	*1,000 dollars*	*1,000 dollars*	*1,000 dollars*
Grain [2]	1, 444, 910	1, 565, 881	2, 230, 510	2, 976, 420	3, 514, 920	3, 592, 982
Hay and forage [3]	665, 883	698, 987	862, 825	1, 039, 034	1, 436, 756	1, 454, 658
Oil crops [4]	[5] 33, 746	[5] 45, 183	[5] 56, 527	[5] 220, 223	[5] 184, 780	171, 331
Vegetables [6]	72, 281	55, 917	90, 863	115, 928	172, 816	157, 707
Tobacco	84, 216	67, 752	89, 540	134, 660	177, 680	267, 030
Miscellaneous [7]	37, 605	58, 815	78, 216	98, 461	76, 988	170, 639
United States	[5] 2, 338, 641	[5] 2, 492, 535	[5] 3, 408, 481	[5] 4, 584, 726	[5] 5, 563, 940	5, 814, 347

[1] Includes crops stored on farms and sealed under Commodity Credit Corporation loan programs, and excludes all stocks held off the farm.
[2] Includes corn, wheat, oats, barley, rye, buckwheat, rice, sorghum for grain, dry edible beans, and dry field peas.
[3] Includes all hay, corn silage and forage, and sorghum for silage and forage.
[4] Includes soybeans, flaxseed, peanuts, and cottonseed.
[5] Revised.
[6] Includes Irish potatoes, cabbage, and onions.
[7] Includes broomcorn, cotton, and hayseed. Hayseed includes red clover, alfalfa, lespedeza, alsike clover, timothy, and sweet clover.

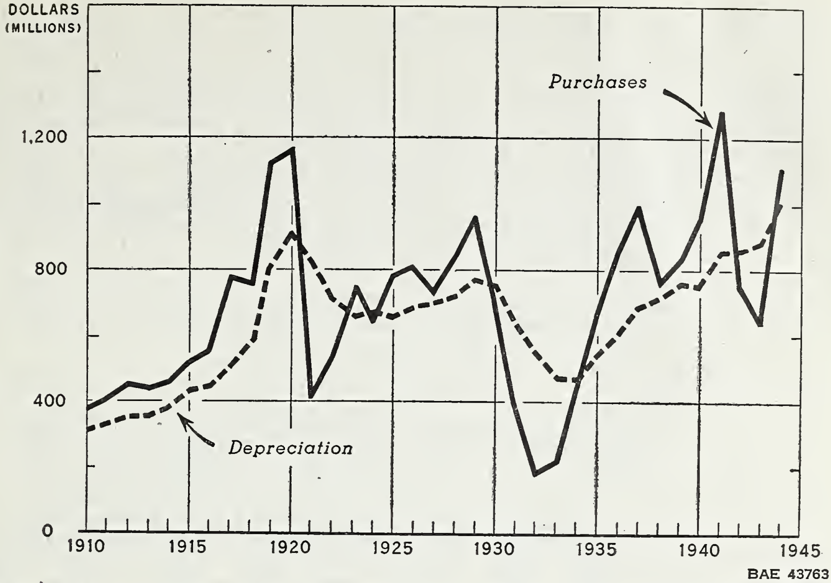

FIGURE 6.—PURCHASES AND DEPRECIATION OF FARM AUTOMOBILES, MOTORTRUCKS, TRACTORS, AND OTHER FARM MACHINERY, UNITED STATES, 1910-44.

In only three periods since 1910 have farmers been unable to buy sufficient machinery and motor vehicles to offset the amount of depreciation. In the latest period, 1942 and 1943, farmers' purchases were about 366 million dollars short of covering depreciation. Shortages of available machinery and motor vehicles as well as a higher rate of depreciation were responsible for this situation. Increased quantities of machinery were made available in 1944 but an accelerated rate of depreciation limited the increase in inventory value. On the other hand, increased prices were responsible for a substantial proportion of the increased inventory values during the period.

Miscellaneous crops, which include cotton, broomcorn, and hayseed, increased in value from 77 million dollars on January 1, 1944 to 171 millions on January 1, 1945. The inventory value of grain, hay, and forage also increased slightly between January 1, 1944 and 1945. Such increases in nearly every crop were due to increased quantities on farms.

The inventory value of oil crops on farms January 1, 1945 was about 7 percent lower than a year earlier, but prices for such crops were about 5 percent higher. An 8.7 percent drop in the inventory value of vegetables, caused by declines both in prices and quantities, also occurred between January 1, 1944 and 1945.

Although the increase in the value of crops on hand January 1, of 1945 over 1944 is small, the increase over 1940 is substantial. On January 1, 1945 the value of all crops was estimated at 5,814 million dollars as compared with 2,339 millions on January 1, 1940, or an increase of nearly 3.5 billion dollars.

INVENTORY OF FARM MACHINERY AND MOTOR VEHICLES

During 1944 total expenditures for machinery and motor vehicles amounted to 1,107 million dollars as compared with only 635 millions during 1943 (fig. 6). The net result of purchases, depreciation, and

adjustments for price changes of machinery and motor vehicles on farms during 1944 was a rise in inventory value from 4,380 million dollars on January 1, 1944 to 4,774 millions at the beginning of 1945 (table 10). About 75 percent of the increase was due to higher prices. Estimated expenditures for such equipment exceeded estimated depreciation by about 100 million dollars (table 10). The largest percentage increase in inventory values of machinery and motor vehicles of about 15 percent occurred in tractors. Farmers' expenditures for tractors and parts increased from 134 million dollars in 1943 to 347 millions in 1944, or about 160 percent.

TABLE 10.—*Expenditures, depreciation, and value of farm automobiles, motortrucks, tractors, and other farm machinery, 1940–45*

Year	Index of value (1940=100)	Value January 1	Farmers' expenditures	Value January 1 plus expenditures	Amount of depreciation	Value December 31, unadjusted for price	Adjustment for price change	Value December 31
TRACTORS AND ATTACHMENTS AND PARTS								
		Million dollars	*Million dollars*	*Million dollars*	*Million dollars*	*Million dollars*	*Million dollars*	*Million dollars*
1940	100	589	239	828	174	654	—52	602
1941	102	602	350	952	200	752	23	775
1942	132	775	189	964	202	762	53	815
1943	138	815	[1] 134	[1] 949	[1] 199	[1] 750	18	[1] 768
1944	[1] 130	[1] 768	347	1,115	234	881	3	884
1945	150	884						
OTHER FARM MACHINERY								
1940	100	1,364	331	1,695	271	1,424	—14	1,410
1941	103	1,410	444	1,854	297	1,557	47	1,604
1942	118	1,604	464	2,068	331	1,737	87	1,824
1943	134	1,824	373	2,197	352	1,845	55	1,900
1944	139	1,900	579	2,479	397	2,082	42	2,124
1945	156	2,124						
AUTOMOBILES								
1940	100	944	305	1,249	250	999	40	1,039
1941	110	1,039	376	1,415	283	1,132	113	1,245
1942	132	1,245	[1] 77	[1] 1,322	[1] 264	[1] 1,058	[1] 159	[1] 1,217
1943 [1]	129	1,217	95	1,312	262	1,050	315	1,365
1944	[1] 145	[1] 1,365	122	1,487	297	1,190	214	1,404
1945	149	1,404						
MOTORTRUCKS								
1940	100	238	81	319	61	258	10	268
1941	113	268	111	379	72	307	28	335
1942	141	335	[1] 13	[1] 348	[1] 66	[1] 282	[1] 42	[1] 324
1943 [1]	136	324	33	357	68	289	58	347
1944	[1] 146	[1] 347	59	406	77	329	33	362
1945	152	362						
TOTAL MACHINERY AND MOTOR VEHICLES								
1940	100	3,135	956	4,091	756	3,335	—16	3,319
1941	106	3,319	1,281	4,600	852	3,748	211	3,959
1942	126	3,959	[1] 743	[1] 4,702	[1] 863	[1] 3,839	[1] 341	[1] 4,180
1943	133	[1] 4,180	[1] 635	[1] 4,815	[1] 881	[1] 3,934	[1] 446	[1] 4,380
1944	[1] 140	[1] 4,380	1,107	5,487	1,005	4,482	292	4,774
1945	152	4,774						

[1] Revised.

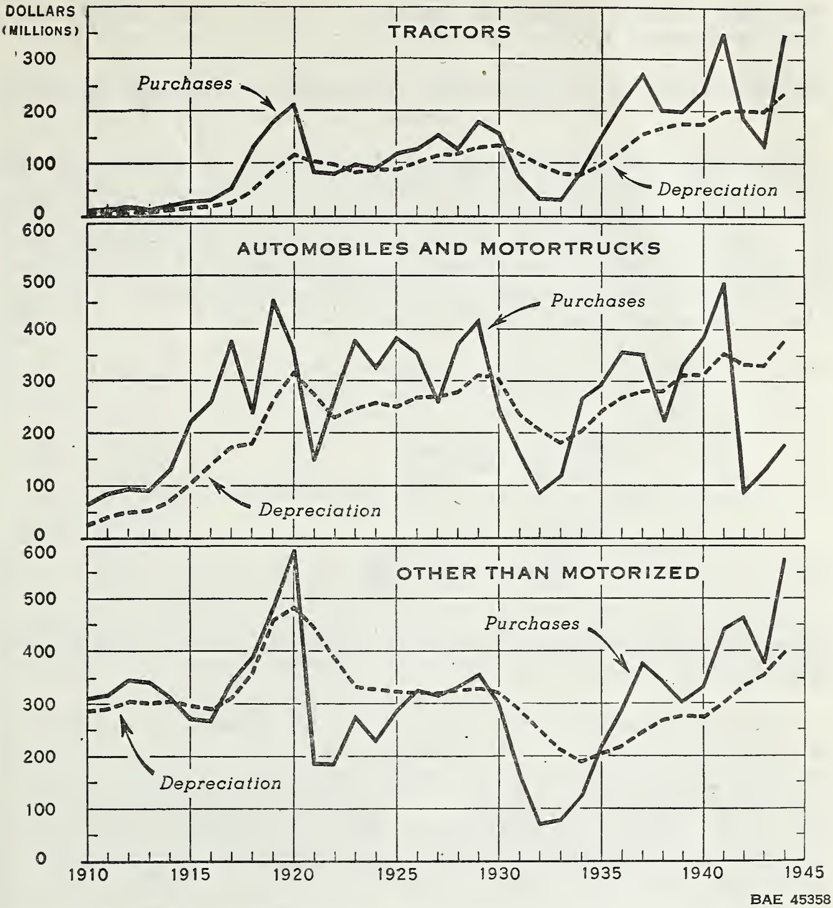

FIGURE 7.—FARM MACHINERY: PURCHASES AND DEPRECIATION, UNITED STATES, 1910–44.

Automobiles and motortrucks have been especially scarce during the war. Only during 1941 did purchases exceed depreciation. Depreciation of tractors exceeded purchases in 1942 and in 1943 but in 1944 purchases again were larger than depreciation. Purchase of machinery other than motorized exceeded depreciation even in the years of major shortages, 1942–43.

Farmers' expenditures for automobiles and motortrucks during 1944 also were substantially more than in 1943. Expenditures for motortrucks increased 79 percent while expenditures for automobiles increased by 28 percent. In each case, however, estimated depreciation exceeded the amount of expenditures so that such increases as occurred in the inventory values of these capital assets were due mainly to higher prices (fig. 7).

Farmers' expenditures for farm equipment other than tractors, trucks, and automobiles also show an increase during 1944 over 1943. During 1944 such expenditures totaled 579 million dollars compared with 373 million the year before. These expenditures exceeded depreciation by 182 millions. Adjustments for changes in prices

brought inventory values on January 1, 1945 to 224 million more than on January 1, 1944.

INVENTORY VALUE OF HOUSEHOLD FURNISHINGS AND EQUIPMENT ON FARMS

Estimates of the inventory value of household furnishings and equipment on farms January 1, 1945 indicate a relatively insignificant decline of 1 percent from that on farms a year earlier (table 11).[2] The value of such furnishings and equipment increased from January 1, 1940 to January 1, 1942 when it reached nearly 4.4 billion dollars. This was about 2.6 percent above the value on January 1, 1940 and about 3.6 percent above that for January 1, 1945.

TABLE 11.—*Estimated value of household furnishings and equipment in farm family homes, Jan. 1, 1940–45* [1]

Year	Aggregate for United States	Average per family	Year	Aggregate for United States	Average per family
	Million dollars	*Dollars*		*Million dollars*	*Dollars*
1940	4, 275	598	1943	4, 265	649
1941	4, 299	608	1944	4, 276	660
1942	4, 386	633	1945	4, 232	658

[1] Revised to incorporate adjustments for changes in farm population and number of farm households as estimated by the Bureau of the Census and the Bureau of Agricultural Economics. (See Census-BAE, Joint Release 1, Estimates of Farm Population and Farm Households, April 1944 and April 1940. 4 pp. 1945. [Processed.])

Despite a decrease in the number of farm families during the war the general increase in the average inventory value of household furnishings and equipment per farm family has kept the total value relatively stable. On January 1, 1940 the average value per family was $598, whereas for January 1, 1944 it was $660. Total values declined about 44 million dollars during 1944, but average value per family for such inventories was $658 on January 1, 1945.

FINANCIAL ASSETS

In addition to the physical assets, discussed above, farmers own property in the form of warehouse receipts, bank deposits, currency, and investments which may be referred to as financial assets.

WAREHOUSE RECEIPTS

Farmers' holdings of warehouse receipts at times are substantial. But except for certain nonperishable commodities, such as wheat and cotton, warehouse receipts are not held for extended periods. Little information is available on the total value of farmer-owned receipts except those which were security for loans made or guaranteed by the Commodity Credit Corporation. These undoubtedly represent the larger part of the warehouse receipts pledged by farmers to lending institutions.

[2] Valuations are not strictly comparable with those for other farm assets as valuations of household furnishings and equipment are based upon expenditures for equipment bought minus depreciation with no adjustment for changes in price of such inventories. These estimates are made by the Family Economics Division of the Bureau of Human Nutrition and Home Economies, U. S. Department of Agriculture.

The value of warehouse receipts pledged as security for CCC loans outstanding on January 1, 1945, is estimated to have been 618.4 million dollars. This was 20 percent greater than the 515.1 million dollars estimated for January 1, 1944. Almost all such receipts represented cotton and wheat (table 12).

TABLE 12.—*Estimated value of warehouse receipts for specified commodities, Jan. 1, 1940–45* [1]

Commodity	1940	1941	1942	1943	1944	1945
	Million dollars	*Million dollars*	*Million dollars*	*Million dollars*	*Million dollars*	*Million dollars*
Flaxseed	0.0	0.0	0.7	1.6	0.6	(2)
Wheat	127.5	222.7	253.8	253.3	90.9	176.3
Barley	.0	.1	.7	1.8	.1	.8
Rye	.0	.0	.0	.1	(2)	(2)
Cotton	178.4	228.0	135.3	268.4	422.9	440.8
Dried peas	.0	.0	.0	.0	.1	(2)
Dry beans	.0	.0	.0	.0	.5	(2)
Grain sorghums	.0	(2)	(2)	(2)	(2)	.5
Total	305.9	450.8	390.5	525.2	515.1	618.4

[1] Estimated value of commodities (in warehouses) pledged as security for loans to farmers held or guaranteed by the CCC.
[2] Less than $50,000.

The amount of a crop put under loan to CCC depends to a large extent on the relation of the market price to the Government-determined CCC loan rate. The increase in warehouse receipts for wheat resulted from the bumper crop in 1944 and from the relatively high loan value. A relatively high CCC loan rate accounts also for the large quantities of cotton held under loan.

BANK DEPOSITS

During the year 1944 bank deposits owned by farmers in the United States increased from an estimated 6,463 to 7,969 million dollars, a gain of 1,506 million dollars (table 13). This addition was the largest of the mounting annual additions during the war period. But farmers are not alone in such gains. During this period deposits have increased rather generally throughout the banking system and for nearly all classes of depositors.

TABLE 13.—*Farmer-owned deposits in the United States, Jan. 1, 1940–45* [1]

Year	Demand deposits	Time deposits	Total deposits
	Million dollars	*Million dollars*	*Million dollars*
1940	1,516	1,426	2,942
1941	1,708	1,526	3,234
1942	2,191	1,636	3,827
1943	3,223	1,769	4,992
1944	4,487	1,976	6,463
1945	5,442	2,527	7,969

[1] These estimates are tentative.

But deposits owned by farmers have gained more rapidly than those of depositors in general. In the 5 years ended January 1, 1945, farmers' deposits increased an estimated 171 percent, whereas deposits of all bank customers (excluding the Federal Government and banks) increased 88 percent.

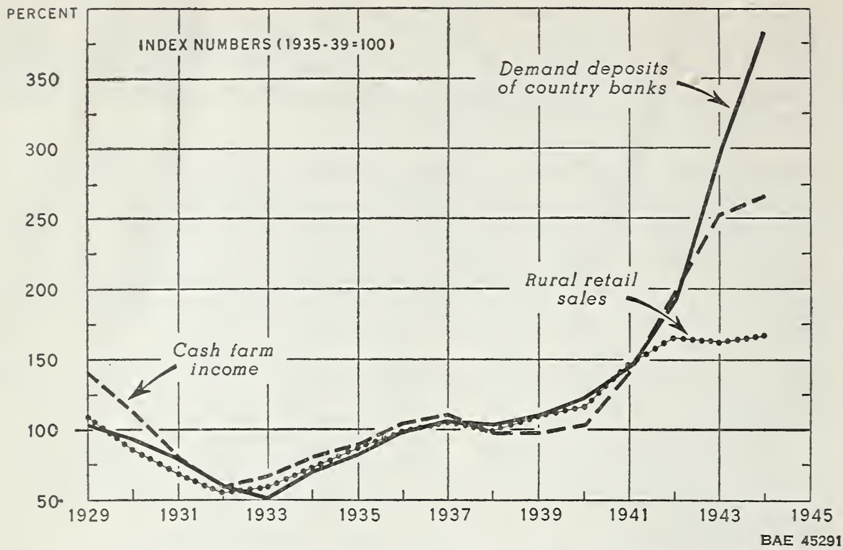

FIGURE 8.—DEMAND DEPOSITS OF COUNTRY BANKS, CASH FARM INCOME, AND RURAL RETAIL SALES, UNITED STATES, 1929–44.

Before the war cash farm income, rural retail sales, and demand deposits of country banks tended to change from year to year in close correspondence with each other. This correspondence has been distorted by war conditions so that since 1942, rural retail sales have remained comparatively constant, whereas cash farm income has grown and demand deposits have increased greatly. Taxes and war bonds have taken part of the increased income but the fact that many goods needed by farmers have been scarce has boosted deposits at a rapid rate.

The wartime increase in farmers' deposits is the immediate consequence of high agricultural income and the limitations on the volume of goods that farmers and other customers might buy (fig. 8). Farmers' cash income from marketings was almost 2½ times as large in 1944 as in 1940. Moreover, the shortage of certain manufactured goods apparently has proved more of a brake on expenditures by farmers than on expenditures of some others. Automobiles, trucks, building materials, and household equipment, and many other things that the farmer needs have been available only in limited quantities and hired labor has also been scarce.

Although the absolute increase in farmer-owned deposits was greater in 1943 and 1944 than in other years, there appears to have been a decline in the rate of increase. Demand deposits have accounted for the greater part of the growth in total farmer-owned deposits. Time deposits or "savings accounts" also increased significantly, especially during 1944. Whereas demand deposits of farmers increased 1,264 million dollars during 1943 and 955 million dollars during 1944, time deposits increased 207 and 551 million dollars during these 2 years. For several years before 1940 the volume of demand deposits was about the same as the volume of time deposits.

[3] UNITED STATES FEDERAL RESERVE SYSTEM. OWNERSHIP OF DEMAND DEPOSITS. U. S. Fed. Res. Bul. 31 (4), pp. 331–334. 1945. This publication shows that the estimated farmer-owned demand deposits as of January 31, 1945 amounted to 4.7 billion dollars. A comparable estimate of time deposits is unavailable. The Reserve Board figure for 1945 is smaller but increased in approximately the same absolute amount between July 1944 and January 1945 as the Bureau of Agricultural Economics figure.

On January 1, 1945, time deposits were estimated to be 2.5 billion dollars as compared with 5.4 billion dollars of demand deposits.[3]

Increases in the deposits of country banks in 1944 seem to have been Nation-wide. Moreover, in each section of the United States for which the Bureau of Agricultural Economics maintains an index, deposits of country banks increased markedly from January 1940 to January 1945 although the degree of change, particularly in the case of time deposits, varied from region to region. During the 5-year period time deposits increased more slowly in the cotton and Great Plains States than elsewhere. In the Lake States and the Corn Belt, where time deposits are relatively large, the time-deposit index has advanced more sharply than elsewhere.

The future trend in the volume of deposits owned by farmers as well as of currency (discussed below) will continue to be determined directly by the trends of cash receipts and expenditures and indirectly by the extent to which credit is advanced by commercial and Federal reserve banks to finance the needs of the Federal Government and private borrowers.

CURRENCY

United States money in circulation rose during 1944 from 20.5 to 25 billion dollars. Of this amount, perhaps 5 billion dollars were in bank reserves and in the tills of business firms, leaving some 20 billion dollars in the hands of individuals, including the armed forces.

What part of this 20 billion dollars was held by farmers at the beginning of 1945 can be only roughly approximated. On the assumption that farmers hold that proportion of the total which corresponds to their relative numerical strength in the population, including the armed forces, they would have held 3.7 billion dollars in currency on January 1, 1945. This is a half-billion dollars, or 16 percent, larger than their estimated currency holding for the previous year. Although the increase is large, it is less than occurred either in 1942 or 1943 when the estimated annual increases were around 800 million dollars.

Most of the forces that are believed to have contributed to the unprecedented expansion of currency in recent years were present throughout 1944. These include high wartime incomes (received in many instances by individuals who make little use of bank accounts), restricted opportunities for spending, large-scale shifts in population, black-market transactions, and tax-evasion activities.[4] To a greater or lesser degree these forces have been present among farmers as well as among other groups.

INVESTMENTS

The nature and organization of farming is such that it requires relatively heavy investment in physical assets. As a result, in normal times much of what is saved from farm income is soon invested in physical means of production or is used to pay debts. Moreover, many farmers have invested in the stock of cooperative associations organized for the purpose of buying and selling goods and services connected with farm operation. Hence the proportion of farm savings left for investment outside of the farm enterprise and related cooperatives ordinarily is small.

[4] For a somewhat more comprehensive list, see BACH, G. L. CURRENCY IN CIRCULATION. U. S. Fed. Reserve System, Fed. Reserve Bul. 30: 318–328. 1944.

But this general situation has been altered considerably during the war. Rationing and other restrictions on spending, which are incidental to the war, have combined with high net incomes to produce large accumulations available for debt reduction or for the purchase of land and securities. To what use these savings are put depends on many factors, including the manner and vigor with which the Government sells its war bonds. Part of the United States Treasury's sales effort in this war has been directed toward encouraging the purchase of savings bonds by farmers even though they were not free of debt. This has contributed to the rapid growth of farmers' holdings of these bonds. They now are a financial asset in size second only to bank deposits.

UNITED STATES SAVINGS BONDS

United States savings bonds with an estimated cash value of 3,910 million dollars were owned by farmers on January 1, 1945. This is an increase of 1,550 million dollars, or 66 percent for the year. The increase was due to purchases made during 1944, estimated at 1,600 million dollars, minus redemptions estimated at 111 million dollars, and to the automatic rise of 38 million dollars in the cash value of bonds bought in previous years. At least 92 percent of farmers' purchases of savings bonds are believed to have been concentrated in Series E (table 14). Most of the remainder were of Series G.

TABLE 14.—*United States savings bonds: Estimated cost of series D and E purchased by farmers, by regions, 1940–44* [1]

Region	1940	1941	1942	1943	1944	Total
	1,000 dollars	*1,000 dollars*	*1,000 dollars*	*1,000 dollars*	*1,000 dollars*	*1,000 dollars*
Northeast [2]	12, 274	20, 084	73, 420	118, 438	149, 993	374, 209
Appalachian [3]	11, 926	19, 136	82, 242	146, 843	176, 270	436, 417
Southeast [4]	4, 743	8, 691	38, 781	77, 613	104, 155	233, 983
Lake States [5]	15, 602	19, 057	70, 412	140, 601	168, 886	414, 558
Corn Belt [6]	28, 726	33, 760	137, 994	257, 484	317, 608	775, 572
Delta States [7]	5, 528	9, 748	40, 027	72, 166	87, 341	214, 810
Great Plains [8]	10, 154	11, 279	43, 187	109, 528	150, 602	324, 750
Texas-Oklahoma	8, 146	13, 665	49, 190	101, 939	132, 146	305, 086
Mountain [9]	3, 706	5, 983	22, 455	51, 632	69, 602	153, 378
Pacific [10]	6, 834	12, 650	52, 132	88, 746	115, 306	275, 668
United States	107, 639	154, 053	609, 840	1, 164, 990	1, 471, 909	3, 508, 431

[1] Series D sold in 1940 and to May 1, 1941 when replaced by series E.
[2] Maine, New Hampshire, Vermont, Massachusetts, Rhode Island, Connecticut, New York, New Jersey, Pennsylvania.
[3] Delaware, Maryland, Virginia, West Virginia, North Carolina, Kentucky, Tennessee.
[4] South Carolina, Georgia, Florida, Alabama.
[5] Michigan, Wisconsin, Minnesota.
[6] Ohio, Indiana, Illinois, Iowa, Missouri.
[7] Mississippi, Arkansas, Louisiana.
[8] North Dakota, South Dakota, Nebraska, Kansas.
[9] Montana, Idaho, Wyoming, Colorado, New Mexico, Arizona, Utah, Nevada.
[10] Washington, Oregon, California.

The increase in the bond holdings of farmers during 1944 was the largest for any year up to that time, being almost one-third greater than during 1943, and more than 2⅓ times greater than during 1942—the first full year of our direct participation in the war. Expansion occurred in very much the same degree in all regions, percentage increases ranging from 61 in the Northeast to 77 in the Great Plains and Mountain regions.

Although classified as investments, the bond holdings of farmers are highly liquid and may be regarded as the equivalent of cash. Whether they will be treated as such or as more permanent investments remains to be seen. There is evidence that many farmers have bought war bonds because of their investment qualities and not because they afford a convenient temporary reserve nearly as liquid as a bank account. Moreover, the longer these bonds are held the greater is their investment appeal, for the rate of appreciation rises as maturity is approached. Probably the most important factor that will influence farmers' attitude toward their bond holdings will be the economic conditions in the postwar period. If that is a period of relative stability at a satisfactory level of income for farmers, a large proportion of the farmer-owned bonds may be held to maturity. If either a runaway boom or a serious persistent depression develops, a much greater liquidation of farmer-owned bonds may be expected.

EQUITY IN COOPERATIVE ASSOCIATIONS

The financial interest of farmers in cooperative associations amounted to about 660 million dollars shortly before the beginning of World War II (table 15). There is reason to believe that the amount has grown substantially during the war years, but recent information pertaining to the consolidated net worth of several prominent types of cooperatives is so fragmentary that it is possible to indicate only the probable direction and not the degree of change that has taken place.

TABLE 15.—*Farmers' financial interest in selected types of cooperative associations*

Type of cooperative	Year	Farmers' financial interest
		Dollars
Marketing and purchasing association	[1] 1936	[2] 287, 860, 000
Farmers' mutual telephone company	1938 (Jan. 1)	[3] 23, 035, 000
Farmers' mutual irrigation company	[1] 1936	[2] 189, 178, 000
Farmers' fire insurance company	[1] 1936	[4] 35, 193, 000
Production credit association	1937 (Jan. 1)	[5] 10, 800, 000
National farm loan association	1937 (Jan. 1)	[6] 111, 000, 000
Federal land bank	1937 (Jan. 1)	[7] 2, 800, 000
Total		659, 866, 000

[1] Day and month not reported.
[2] Total net worth. Source: United States Farm Credit Admin. A statistical Handbook of Farmers' Cooperatives. U. S. Farm Credit Admin. Bull. 26, 334 pp., illus.
[3] Investment in plant and equipment less borrowed money. Source: United States Bur. Census. Census of Electrical Industries, 1937. Telephone and telegraph.
[4] Total surplus. Source: (See footnote 2).
[5] Capital stock owned by farmers. Includes B stock and that portion of A stock owned by private individuals. Source: Farm Credit Administration.
[6] Capital stock owned by farmers. A substantial amount of this has a value below par. Source: (See footnote 5).
[7] Capital stock owned by farmers. Source: (See footnote 5).

Large increases in the value of farmers' holdings in production credit associations and mutual insurance companies are known to have occurred, and there is considerable evidence that substantial increases may have taken place in purchasing and marketing associations and in mutual irrigation companies. Such increases appear to be only partially offset by known reductions of the farmers' investment in national farm loan associations and Federal land banks and a

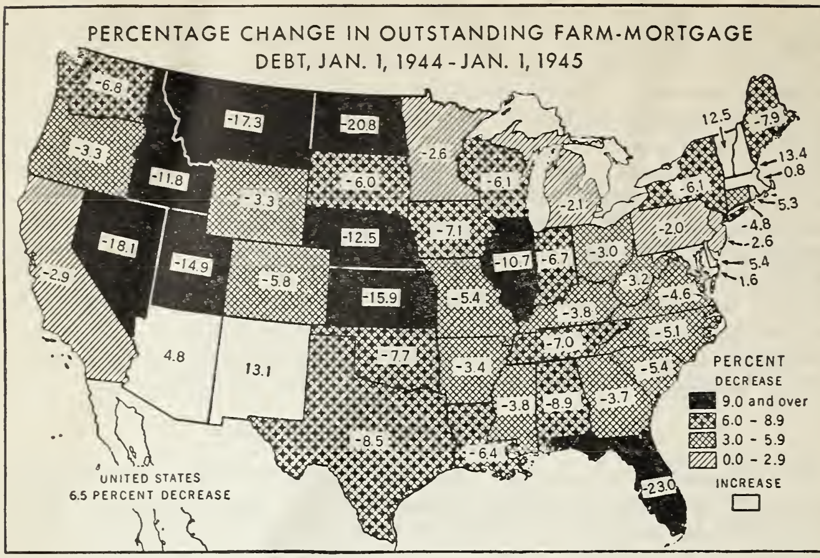

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FIGURE 9.—PERCENTAGE CHANGE IN OUTSTANDING FARM-MORTGAGE DEBT, JANUARY 1, 1944–JANUARY 1, 1945.

Changes in outstanding farm-mortgage debt during 1944 varied by States from substantial decreases to substantial increases. Of the 9 States showing a decrease of 9 percent or over, 7 are in the Great Plains and Mountain areas; 6 of the 8 States that registered increases are in the Northeastern and Appalachian areas. The 26 States in which the decline of mortgage debt ranged from 3 to 8.9 percent accounted for more than 60 percent of the farm-mortgage debt on January 1, 1944.

probable reduction in the case of mutual telephone companies. It is likely, therefore, that the value of farmers' holdings in cooperative associations has risen considerably above the 660 million dollars carried each year on the balance sheet, but sufficient data are not available to permit an estimate of the amount.

THE EQUITY ITEMS

Two types of equities are shown on the balance sheet for agriculture: Debts, which are the creditors' interest in the farm enterprise, and the proprietary equities, which are the owners' interest.

FARM REAL ESTATE DEBT

Farm real estate debt, estimated at 5,271 million dollars on January 1, 1945 was 364 million dollars less than a year earlier and 1,316 million dollars below the total on January 1, 1940. The 1945 figure was less than one-half the all-time peak in 1923, when the debt reached 10,786 million dollars.

About 92 percent of the decline in farm real estate debt since January 1, 1940 occurred in the 3 years 1942–44. The reduction in these 3 years averaged more than 400 million dollars per year, compared with an average of only about 50 million dollars per year for

1940 and 1941. The largest reduction in any of the last 5 years was in 1943 when it totaled 482 million dollars.

The decline in debt has varied widely by regions (table 16). Largest percentage reductions from January 1, 1940 to January 1, 1945 occurred in the Great Plains and Mountain States—36.3 and 32.7 percent respectively. Percentage declines were smallest in the Delta States and the Southeast with reductions of 6.8 and 10.4 percent respectively. During 1944 the largest percentage reduction (13.8 percent) occurred in the Great Plains States, whereas in three regions—Northeast, Pacific, and Lake States—the decline was less than 4 percent. Percentage change in farm real estate debt during 1944 is shown by States in figure 9.

Table 16.—*Estimated amount of farm-mortgage debt, by States, Jan. 1, 1940–45 and percentage change 1940–45 and 1944–45*

State and region	1940	1941	1942	1943	1944	1945	Percentage change	
							1940–45	1944–45
	1,000 dollars	*1,000 dollars*	*1,000 dollars*	*1,000 dollars*	*1,000 dollars*	*1,000 dollars*	*Percent*	*Percent*
Maine	24,757	25,055	23,028	20,081	17,159	15,808	−36.1	−7.9
New Hampshire	11,220	11,151	11,439	11,505	11,394	12,920	15.2	13.4
Vermont	27,814	27,773	27,489	27,234	28,911	32,528	16.9	12.5
Massachusetts	45,845	45,791	44,921	43,475	43,677	44,034	−4.0	.8
Rhode Island	4,121	4,151	4,061	3,800	3,693	3,890	−5.6	5.3
Connecticut	36,742	35,936	35,357	32,998	32,191	30,640	−16.6	−4.8
New York	191,786	185,864	178,595	168,271	156,651	147,079	−23.3	−6.1
New Jersey	48,791	49,597	50,153	48,540	45,863	44,673	−8.4	−2.6
Pennsylvania	131,578	129,729	129,234	125,701	123,443	120,936	−8.1	−2.0
Northeast	522,654	515,047	504,277	481,605	462,982	452,508	−13.4	−2.3
Delaware	7,957	8,127	8,496	8,347	8,095	8,532	7.2	5.4
Maryland [1]	46,675	46,011	44,396	43,384	42,894	43,570	−6.7	1.6
Virginia	72,299	72,245	70,840	68,406	65,124	62,117	−14.1	−4.6
West Virginia	21,969	22,031	21,671	20,193	17,986	17,419	−20.7	−3.2
North Carolina	90,071	96,652	97,411	88,645	80,829	76,723	−14.8	−5.1
Kentucky	109,253	110,504	112,414	108,687	102,915	99,026	−9.4	−3.8
Tennessee	92,614	90,017	85,033	77,036	70,069	65,150	−29.7	−7.0
Appalachian	440,838	445,587	440,261	414,698	387,912	372,537	−15.5	−4.0
South Carolina	45,948	46,713	50,687	45,950	42,932	40,613	−11.6	−5.4
Georgia	82,037	84,355	90,901	89,916	85,740	82,580	.7	−3.7
Florida	38,101	38,380	35,559	33,726	33,304	25,634	−32.7	−23.0
Alabama	81,859	86,834	90,278	88,053	80,354	73,229	−10.5	−8.9
Southeast	247,945	256,282	267,425	257,645	242,330	222,056	−10.4	−8.4
Michigan	174,308	173,792	171,451	161,231	150,463	147,325	−15.5	−2.1
Wisconsin	356,936	346,716	333,279	313,933	287,513	270,016	−24.4	−6.1
Minnesota	375,990	384,419	395,901	385,623	364,768	355,221	−5.5	−2.6
Lake States	907,234	904,927	900,631	860,787	802,744	772,562	−14.8	−3.8
Ohio	239,059	245,448	252,681	242,686	231,446	224,533	−6.1	−3.0
Indiana	236,266	243,002	244,487	229,129	203,169	189,468	−19.8	−6.7
Illinois	418,970	415,192	406,988	373,981	325,915	291,094	−30.5	−10.7
Iowa	705,589	707,739	723,397	710,985	652,906	606,612	−14.0	−7.1
Missouri	229,377	231,832	232,971	219,962	207,327	196,225	−14.5	−5.4
Corn Belt	1,829,261	1,843,213	1,860,524	1,776,743	1,620,763	1,507,932	−17.6	−7.0
Mississippi	100,368	103,491	104,776	99,968	90,389	86,941	−13.4	−3.8
Arkansas	72,513	75,560	79,305	78,405	77,519	74,857	3.2	−3.4
Louisiana	55,098	57,221	58,872	57,029	54,132	50,650	−8.1	−6.4
Delta States	227,979	236,272	242,953	235,402	222,040	212,448	−6.8	−4.3

See footnotes at end of table.

TABLE 16.—*Estimated amount of farm-mortgage debt, by States, Jan. 1, 1940–45 and percentage change 1940–45 and 1944–45*—Continued

State and region	1940	1941	1942	1943	1944	1945	Percentage change	
							1940–45	1944–45
	1,000 dollars	*1,000 dollars*	*1,000 dollars*	*1,000 dollars*	*1,000 dollars*	*1,000 dollars*	*Percent*	*Percent*
North Dakota	141, 230	132, 717	128, 255	122, 631	105, 047	83, 150	−41. 1	−20. 8
South Dakota	127, 706	119, 122	118, 474	114, 740	105, 042	98, 755	−22. 7	−6. 0
Nebraska	309, 826	290, 081	281, 184	261, 753	232, 921	203, 874	−34. 2	−12. 5
Kansas	284, 248	273, 454	258, 549	227, 800	195, 139	164, 084	−42. 3	−15. 9
Great Plains	863, 010	815, 374	786, 462	726, 924	638, 149	549, 863	−36. 3	−13. 8
Texas	431, 746	421, 448	417, 817	386, 271	345, 642	316, 357	−26. 7	−8. 5
Oklahoma	153, 679	156, 364	159, 332	151, 554	141, 850	130, 903	−14. 8	−7. 7
Texas-Oklahoma	585, 425	577, 812	577, 149	537, 825	487, 492	447, 260	−23. 6	−8. 3
Montana	66, 118	63, 536	57, 535	48, 143	39, 876	32, 971	−50. 1	−17. 3
Idaho	78, 763	78, 361	77, 557	70, 790	62, 619	55, 224	−29. 9	−11. 8
Wyoming	34, 009	32, 948	29, 030	25, 624	22, 374	21, 641	−36. 4	−3. 3
Colorado	75, 005	73, 408	70, 727	61, 386	54, 238	51, 103	−31. 9	−5. 8
New Mexico	27, 499	26, 764	24, 564	24, 195	24, 880	28, 149	2. 4	13. 1
Arizona	28, 933	28, 498	28, 348	26, 362	24, 981	26, 168	−9. 6	4. 8
Utah	36, 650	34, 946	32, 539	27, 977	22, 713	19, 321	−47. 3	−14. 9
Nevada	10, 213	9, 639	9, 461	8, 204	7, 071	5, 790	−43. 3	−18. 1
Mountain	357, 190	348, 100	329, 761	292, 681	258, 752	240, 367	−32. 7	−7. 1
Washington	106, 857	104, 927	101, 227	92, 064	83, 028	77, 412	−27. 6	−6. 8
Oregon	90, 421	90, 281	88, 900	84, 235	81, 153	78, 465	−13. 2	−3. 3
California	407, 585	396, 665	384, 277	356, 559	347, 343	337, 238	−17. 3	−2. 9
Pacific	604, 863	591, 873	574, 404	532, 858	511, 524	493, 115	−18. 5	−3. 6
United States	6, 586, 399	6, 534, 487	6, 483, 847	6, 117, 168	[2] 5, 634, 772	[3] 5, 270, 655	−20. 0	−6. 5

[1] Includes District of Columbia.
[2] Includes $84,384 of joint-stock land bank loans called for foreclosure which are not distributable by States.
[3] Includes $6,621 of joint-stock land bank loans called for foreclosure which are not distributable by States.

The decline in loans held by the Federal land banks and the Federal Farm Mortgage Corporation was more rapid during the 5 years 1940–44 than the decrease for the private lenders (table 17). Federal land bank loans declined almost 40 percent and Mortgage Corporation loans declined more than 50 percent. Farm Security Administration loans, however, rose from 38.6 million dollars on January 1, 1940 to 178.9 million dollars on January 1, 1945. The net decline in life insurance company loans was only 5.1 percent, and farm real estate loans of insured commercial banks declined about 16 percent. Loans held by the remaining lenders, principally individuals, declined only 7 percent. As a result of these divergent trends, private lenders held a substantially larger proportion of the total debt on January 1, 1945 than they held 5 years earlier (fig. 10).

Almost 54 percent of the total farm real estate debt on January 1, 1945 was secured by farms located in the Corn Belt, Lake States, and the Great Plains (table 18). About the same percentage of the land bank loans also were in these States; but these States accounted for only 49 percent of the Mortgage Corporation loans and less than 30 percent of the Farm Security Administration loans. On the other hand, almost three-fourths of the life insurance company loans were in these States, and more than half of all their loans were in the Corn Belt alone.

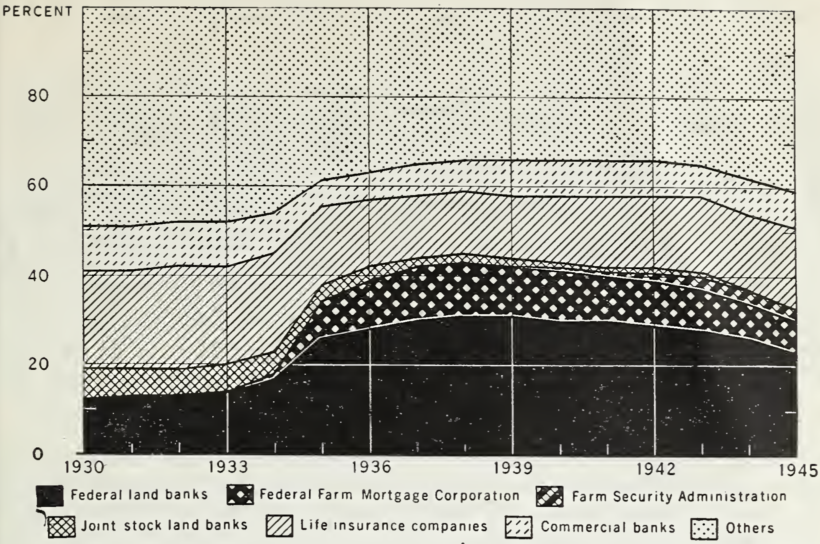

FIGURE 10.—PERCENTAGE OF FARM-MORTGAGE DEBT HELD BY SELECTED LENDERS, UNITED STATES, JANUARY 1, 1930–45.

Private lenders as a group held a substantially higher percentage of the total farm-mortgage debt on January 1, 1945 than at the outbreak of World War II. Active farm transfers have resulted in increased mortgage recordings by individuals; life insurance companies have taken mortgages and sales contracts in the sale of their real estate holdings; and other private investors have found farm mortgages a remunerative outlet for surplus funds. Federal land banks and the Federal Farm Mortgage Corporation have urged farmers to use their surplus funds to pay off debts and have followed a conservative lending policy during the war.

TABLE 17.—*Total farm-mortgage debt and amounts held by major lender groups, United States, Jan. 1, 1940–45*

Year	Total debt	Amounts held by major lender groups					
		Federal land banks	Federal Farm Mortgage Corporation	Farm Security Administration	Life insurance companies	Insured commercial banks	Individuals and others
	1,000 dollars	*1,000 dollars*	*1,000 dollars*	*1,000 dollars*	*1,000 dollars*	*1,000 dollars*	*1,000 dollars*
1940	6, 586, 399	2, 009, 820	713, 290	38, 566	984, 290	534, 170	2, 306, 263
1941	6, 534, 487	1, 957, 184	685, 149	73, 093	1, 016, 479	543, 408	2, 259, 174
1942	6, 483, 847	1, 880, 784	634, 885	122, 104	1, 063, 166	535, 212	2, 247, 696
1943	6, 117, 168	1, 718, 240	543, 895	163, 681	1, 042, 939	476, 676	2, 171, 737
1944	5, 634, 772	1, 452, 886	429, 751	176, 595	986, 661	448, 433	2, 140, 446
1945	5, 270, 655	1, 209, 646	347, 310	178, 936	933, 723	449, 582	2, 151, 458
Percentage change:	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*
1940–45	−20. 0	−39. 8	−51. 3	364. 0	−5. 1	−15. 8	−6. 7
1944–45	−6. 5	−16. 7	−19. 2	1. 3	−5. 4	. 3	. 5

TABLE 18.—*Percentage distribution of total farm-mortgage debt and loans held by major lender groups, by regions, Jan. 1, 1945*

Region	Total debt	Federal land banks	Federal Farm-Mortgage Corporation	Farm Security Administration	Life insurance companies	Others
	Percent	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*
Northeast	8.6	6.1	7.9	3.3	0.3	13.2
Appalachian	7.1	5.6	6.7	15.3	3.9	8.4
Southeast	4.2	4.2	7.3	17.1	1.3	4.0
Lake States	14.7	13.1	14.1	7.6	9.6	17.7
Corn Belt	28.6	24.1	18.2	15.1	50.6	25.1
Delta States	4.0	3.8	3.0	14.8	3.9	3.6
Great Plains	10.4	17.0	16.4	6.8	14.2	5.5
Texas-Oklahoma	8.5	12.5	10.6	14.8	10.5	5.2
Mountain	4.6	6.3	7.0	3.0	2.3	4.3
Pacific	9.3	7.3	8.8	2.2	3.4	13.0
United States	100.0	100.0	100.0	100.0	100.0	100.0

About 62 percent of the FSA tenant-purchase loans were in four regions—Appalachian, Southeast, Delta States, and Texas-Oklahoma. These regions accounted for only about 24 percent of the total farm real estate debt on January 1, 1945. Only 8.5 percent of the FSA loans were in the Northeast, Mountain, and Pacific States, whereas 22.5 percent of all of the farm real estate debt was secured by farms in these regions.

With the further rise in land values and continued downward trend of farm real estate debt, the ratio of debt to real estate value had declined to 10.5 percent by the beginning of 1945. This is the lowest ratio since 1912. The highest ratio for any year was 27.6 percent in 1933. The ratio at the beginning of 1945 was approximately one-half that for the period 1935–39.

Despite the low over-all ratio of real estate debt to the value of all farm real estate, there are many farms on which the debt is relatively high in relation to prewar land values. Most of the farmers doubtless have reduced their debts to readily manageable amounts but a considerable number would find themselves in difficulties if farm income should drop and continue low for a number of years. These debt situations, concealed in the national averages, should not be overlooked in an evaluation of the debt situation of agriculture.

Non-Real-Estate Farm Debt

A large proportion of all farm operators, including both owners and tenants, use credit that is not secured by real estate. Such loans may be divided into three groups on the basis of the type of lender: (1) Loans by commercial banks, Federal and federally sponsored credit agencies which represent the bulk of non-real-estate farm loans; (2) loans by other creditors such as dealers, merchants, finance companies, and individuals, the amounts of which are not definitely known; and (3) loans made or guaranteed by the Commodity Credit Corporation primarily for the purpose of supporting prices.

BANK AND FEDERAL AND FEDERALLY SPONSORED AGENCY LOANS

Loans to farmers by commercial banks and Federal and federally sponsored agencies (excluding loans made or guaranteed by the Commodity Credit Corporation) totaled 1,588 million dollars on January 1, 1945, a decline of 66 million dollars or 4 percent for the year (table 19). Commercial banks, which hold nearly three-fifths of the volume of such loans, showed a nominal increase in loans outstanding during 1944 from 907 million dollars to 917 million dollars. The aggregate non-real-estate loans held by the Federal and the federally sponsored agencies—other than the CCC—declined more than 10 percent during the year. The Farm Security Administration and the production credit associations showed loan declines of 11 and 4 percent, respectively. The outstanding loans of the intermediate credit banks, Emergency Crop and Feed Loan Office, and the Regional Agricultural Credit Corporation declined 12, 6, and 62 percent, respectively.

The small changes during 1944 in the outstanding non-real-estate debt of farmers to commercial banks and Federal and federally sponsored agencies were not uniform for all regions (table 20). Very little change occurred in the Lake States and in the Great Plains. In other regions non-real-estate debt declined by various percentages, the largest (7.2 and 7.7) occurring in the Southeast and in the Delta States. Profitable cotton and tobacco crops have contributed to the greater debt reduction in these regions.

TABLE 19.—*Non-real-estate loans to farmers by principal credit institutions: Amounts outstanding on specified dates, United States, 1914–45* [1]

Date	Commercial banks [2]		Agencies supervised by the Farm Credit Administration							Commodity Credit Corporation		Total	
			Production credit associations		Federal intermediate credit banks [4]								
	Excluding Commodity Credit Corporation guarantees [3]	Including Commodity Credit Corporation guarantees [3]	Excluding Commodity Credit Corporation guarantees [3]	Including Commodity Credit Corporation guarantees [3]	Excluding Commodity Credit Corporation guarantees [3]	Including Commodity Credit Corporation guarantees [3]	Regional agricultural credit corporations	Emergency Crop and Feed Loan Office [5]	Farm Security Administration [6]	Loans held [7]	Institutional loans guaranteed [3]	Excluding Commodity Credit Corporation loans held or guaranteed [3]	Including Commodity Credit Corporation loans held or guaranteed [3]
	1,000 dollars	*1,000 dollars*	*1,000 dollars*	*1,000 dollars*	*1,000 dollars*	*1,000 dollars*	*1,000 dollars*	*1,000 dollars*	*1,000 dollars*	*1,000 dollars*	*1,000 dollars*	*1,000 dollars*	*1,000 dollars*
1914: Spring	1,607,970	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	1,607,970	-----
1918: July 1	2,506,814	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	2,506,814	-----
1921: Jan. 1	3,869,891	-----	-----	-----	-----	-----	-----	3,104	-----	-----	-----	[8] 3,873,788	-----
1924: Jan. 1	2,943,818	-----	-----	-----	9,105	-----	-----	2,513	-----	-----	-----	[8] 2,982,554	-----
1931: July 1	1,936,360	-----	-----	-----	79,206	-----	-----	61,442	-----	-----	-----	2,077,008	-----
1934: July 1	(9)	-----	39,988	-----	61,879	-----	[10] 138,468	91,569	-----	205,388	(9)	(9)	-----
1935:													
Jan. 1	594,604	807,613	60,459	-----	55,083	-----	87,087	111,238	5,600	37,162	213,009	914,071	1,164,242
July 1	(9)	(9)	106,402	-----	57,705	-----	72,759	198,240	[10] 47,249	151,735	134,415	(9)	(9)
1936:													
Jan. 1	(9)	(9)	93,400	-----	46,518	-----	43,394	172,470	62,900	271,219	8,474	(9)	(9)
July 1	659,703	661,606	139,062	-----	53,959	-----	36,020	176,415	128,691	236,268	1,903	1,193,850	1,432,021
1937:													
Jan. 1	593,560	593,614	104,481	-----	40,508	-----	25,282	164,762	131,600	204,511	54	1,060,193	1,264,758
July 1	726,357	726,400	158,752	-----	47,306	-----	22,908	189,186	171,394	116,827	43	1,315,903	1,432,773
1938:													
Jan. 1	648,961	788,351	136,918	-----	39,974	-----	15,588	171,983	162,802	173,134	139,390	1,176,226	1,488,750
July 1	781,606	925,705	183,296	-----	42,703	-----	14,788	184,656	207,239	228,913	144,099	1,414,288	1,787,300
1939:													
Jan. 1	743,894	1,064,667	146,825	-----	32,612	-----	11,080	170,952	209,806	308,950	320,773	1,315,169	1,944,892
July 1	800,544	1,193,466	186,945	-----	39,794	-----	10,234	179,812	280,528	330,097	392,922	1,497,857	2,220,876
1940:													
Jan. 1	859,898	1,094,392	153,425	-----	32,316	-----	8,005	167,795	276,138	208,193	234,494	1,497,577	1,940,264
July 1	956,022	1,182,721	199,219	-----	40,033	-----	7,768	180,798	320,324	150,183	226,699	1,704,164	2,081,046
1941:													
Jan. 1	938,929	1,281,275	170,686	178,866	[10] 32,371	[10] 33,116	5,855	167,862	312,717	252,287	351,271	[10] 1,628,420	[10] 2,231,978
July 1	1,056,845	1,167,204	219,903	221,788	[10] 42,041	[10] 42,106	6,658	178,818	362,545	214,854	112,309	[10] 1,866,810	[10] 2,193,973
1942:													
Jan. 1	1,111,809	1,449,937	185,611	201,589	[10] 37,382	[10] 37,939	5,532	163,792	339,083	133,018	354,663	[10] 1,843,209	[10] 2,330,890
July 1	1,064,358	1,164,452	245,846	250,460	[10] 45,263	[10] 45,615	4,249	176,062	397,274	159,585	105,060	[10] 1,933,052	[10] 2,197,697

1943:													
Jan. 1	895, 511	1, 641, 772	182, 658	205, 873	[10] 37, 854	[10] 38, 182	3, 991	155, 456	362, 343	104, 366	769, 804	[10] 1, 637, 813	[10] 2, 511, 983
July 1	952, 230	1, 316, 385	254, 841	266, 334	[10] 39, 708	[10] 40, 518	53, 754	164, 948	378, 509	57, 968	376, 458	[10] 1, 843, 990	[10] 2, 278, 416
1944:													
Jan. 1	906, 783	1, 505, 249	196, 637	210, 232	[10] 33, 882	[10] 34, 137	32, 047	146, 181	338, 714	93, 104	612, 316	[10] 1, 654, 244	[10] 2, 359, 664
July 1	970, 152	1, 474, 253	266, 396	[10] 274, 147	[10] 34, 816	[10] 35, 316	20, 561	156, 187	342, 246	76, 327	[10] 512, 352	[10] 1, 790, 358	[10] 2, 379, 037
1945:													
Jan. 1	917, 360	1, 722, 863	188, 306	203, 794	[10] 29, 792	[10] 29, 966	12, 195	138, 068	302, 101	139, 857	821, 165	[10] 1, 587, 822	[10] 2, 548, 844

[1] Continental United States only.

[2] Insured commercial banks only beginning 1935, prior to 1935 all open State and national banks. Commodity Credit Corporation holdings of banks prior to 1943 estimated.

[3] Guarantees are loans secured by agricultural commodities covered by purchase agreements of the Commodity Credit Corporation, also certificates of participation in cotton producers' pool; after Jan. 1, 1943, includes some loans to processors of and dealers in agricultural commodities and some advances by banks to CCC.

[4] Loans to and discounts for private financing institutions.

[5] Includes seed feed crop production, drought relief and orchard rehabilitation loans, some of which were made by predecessors (Farmers' Seed Loan Office and Emergency Crop Production Office).

[6] Includes rural rehabilitation, water facility, and project-equipment loans. Includes loans from State rural rehabilitation corporation trust funds and loans made by the predecessor (Resettlement Administration).

[7] Excludes loans held by commercial banks and Federal agencies. Also excludes loans securing certificates of participation in the cotton producers' pool.

[8] Includes War Finance Corporation loans of $793,000 on Jan. 1, 1921, and $27,118,000 on January 1, 1924.

[9] Data unavailable.

[10] Revised.

TABLE 20.—*Non-real-estate loans to farmers held by principal credit institutions, by States, January 1, 1944 to January 1, 1945* [1]

State and region	Jan. 1, 1944	Jan. 1, 1945	Percentage change
	1,000 dollars	*1,000 dollars*	*Percent*
Maine	9,771	8,699	−11.0
New Hampshire	2,215	2,283	3.1
Vermont	6,641	7,464	12.4
Massachusetts	3,025	3,445	13.9
Rhode Island	731	675	−7.7
Connecticut	3,756	3,753	−.1
New York	37,335	36,580	−2.0
New Jersey	6,131	6,132	0
Pennsylvania	23,313	21,962	−5.8
Northeast	92,918	90,993	−2.1
Delaware	1,559	1,501	−3.7
Maryland	6,512	7,255	11.4
District of Columbia	14	27	92.9
Virginia	19,237	19,015	−1.2
West Virginia	6,213	5,302	−14.7
North Carolina	17,139	14,646	−14.5
Kentucky	26,670	25,437	−4.6
Tennessee	22,964	22,223	−3.2
Appalachian	100,308	95,406	−4.9
South Carolina	17,470	15,263	−12.6
Georgia	34,535	31,937	−7.5
Florida	17,852	17,755	−.5
Alabama	32,733	30,230	−7.6
Southeast	102,590	95,185	−7.2
Michigan	27,322	25,793	−5.6
Wisconsin	36,784	37,186	1.1
Minnesota	73,310	74,531	1.7
Lake	137,416	137,510	.1
Ohio	36,699	33,060	−9.9
Indiana	36,189	34,065	−5.9
Illinois	70,987	67,249	−5.3
Iowa	106,277	102,108	−3.9
Missouri	74,032	65,276	−11.8
Corn Belt	324,184	301,758	−6.9
Mississippi	44,127	41,824	−5.2
Arkansas	30,941	28,717	−7.2
Louisiana	21,869	18,903	−13.6
Delta	96,937	89,444	−7.7
North Dakota	58,355	54,916	−5.9
South Dakota	68,897	67,934	−1.4
Nebraska	78,075	80,235	2.8
Kansas	70,296	71,084	1.1
Great plains	275,623	274,169	−.5
Texas	157,527	154,075	−2.2
Oklahoma	55,738	53,113	−4.7
Texas-Oklahoma	213,265	207,188	−2.8
Montana	38,297	33,855	−11.6
Idaho	19,933	18,435	−7.5
Wyoming	21,368	19,493	−8.8
Colorado	49,449	49,262	−.4
New Mexico	15,949	18,045	13.1
Arizona	14,142	13,184	−6.8
Utah	18,944	19,268	1.7
Nevada	3,819	3,782	−1.0
Mountain	181,901	175,324	−3.6
Washington	22,113	20,881	−5.6
Oregon	15,117	14,669	−3.0
California	91,803	85,429	−6.9
Pacific	129,033	120,979	−6.2
Unallocated	324	40	−87.7
United States	1,654,499	1,587,996	−4.0

[1] Commercial banks, Farm Security Administration, production credit associations, Emergency Crop and Feed Loan Office, Federal intermediate credit banks, and Regional Agricultural Credit Corporation. Excludes loans made or guaranteed by the Commodity Credit Corporation, except a small amount held by Federal intermediate credit banks.

If the experience of the Federal and federally sponsored agencies is representative of all lenders, one of the factors influencing the decline in outstanding non-real-estate debt is the reduction in the number of farmers obtaining new loans. On the other hand the average amount of credit obtained by those who do borrow continues to increase (table 21). Production Credit Association loans made in 1944 averaged $2,231 compared with $2,160 in 1943. The average initial loans made by the Farm Security Administration in the fiscal year 1943 was $761, whereas in 1944 it was $1,096. FSA supplemental loans increased from an average of $287 in 1943 to $322 in 1944. The size of the average emergency crop and feed loan made by the FCA rose from $155 to $182. The loans made by these agencies in 1944 averaged substantially larger than those made in the prewar years. Increases in the average size for emergency crop and feed loans occurred in all regions and increases for FSA loans occurred in all but the Southeast region. However, the average size of PCA loans made in three regions—Corn Belt, Great Plains, and Mountain—declined.

TABLE 21.—*Non-real-estate loans to farmers by selected Federal agencies: Average size made during year, by regions, 1938–44*

Year	United States	Northeast [1]	Appalachian [2]	Southeast [3]	Lake States [4]	Corn Belt [5]	Delta States [6]	Great Plains [7]	Texas-Oklahoma	Mountain [8]	Pacific [9]
					PRODUCTION CREDIT ASSOCIATIONS						
	Dollars	*Dollars*	*Dollars*	*Dollars*	*Dollars*	*Dollars*	*Dollars*	*Dollars*	*Dollars*	*Dollars*	*Dollars*
1938	1,237	1,202	588	564	760	1,098	652	1,553	2,000	5,142	4,382
1939	1,365	1,234	648	637	802	1,321	733	1,910	2,321	5,662	4,434
1940	1,505	1,248	692	719	966	1,413	818	2,113	2,674	5,803	4,661
1941	1,791	1,407	791	817	1,188	1,742	963	2,676	2,891	6,520	5,088
1942	2,011	1,508	944	975	1,369	2,073	1,076	2,778	3,123	6,550	5,892
1943	2,160	1,680	997	1,044	1,540	2,345	1,082	3,666	3,241	6,759	6,324
1944	2,231	1,829	1,094	1,178	1,610	2,228	1,238	3,475	3,405	6,438	7,035
					FARM SECURITY ADMINISTRATION: ORIGINAL LOANS [10]						
1938	560	532	391	349	855	602	394	618	363	975	978
1939	471	794	347	415	525	736	448	187	683	1,116	1,172
1940	561	1,009	288	426	688	697	384	597	715	979	1,047
1941	623	1,112	286	358	1,102	689	496	996	821	1,107	1,278
1942	639	818	412	473	1,003	582	505	536	754	835	821
1943	761	1,159	430	563	1,181	1,060	542	806	676	978	1,104
1944	1,096	1,433	556	487	1,512	1,465	702	1,281	951	1,309	1,206
					SUPPLEMENTAL LOANS [11]						
1938	214	429	166	155	313	256	117	270	224	395	530
1939	214	527	182	211	200	286	180	120	168	471	511
1940	215	525	180	165	267	241	163	191	174	427	556
1941	193	486	193	110	376	250	182	190	219	360	514
1942	231	518	243	179	353	266	190	171	225	382	505
1943	287	584	269	228	474	387	215	309	303	472	607
1944	322	622	311	177	569	471	242	461	305	621	774
					EMERGENCY CROP AND FEED LOAN OFFICE						
1938	112	178	77	99	100	99	67	158	129	190	239
1939	106	187	81	100	105	99	71	132	126	166	248
1940	120	195	83	114	112	102	81	140	132	168	464
1941	119	205	90	115	117	111	89	149	139	179	250
1942	136	234	107	134	154	141	107	181	139	210	264
1943	155	263	124	152	199	167	131	224	155	236	288
1944	182	287	148	175	244	203	161	260	182	275	309

[1] Maine, New Hampshire, Vermont, Massachusetts, Rhode Island, Connecticut, New York, New Jersey, and Pennsylvania.
[2] Delaware, Maryland, Virginia, West Virginia, North Carolina, Kentucky, and Tennessee.
[3] South Carolina, Georgia, Florida, and Alabama.
[4] Michigan, Wisconsin, and Minnesota.
[5] Ohio, Indiana, Illinois, Missouri, and Iowa.
[6] Mississippi, Arkansas, and Louisiana.
[7] North Dakota, South Dakota, Nebraska, and Kansas.
[8] Montana, Idaho, Wyoming, Colorado, New Mexico, Arizona, Utah, and Nevada.
[9] Washington, Oregon, and California.
[10] Excludes loans made by State corporation trust funds. Fiscal year.
[11] Additional loans made to farmers who already have Farm Security Administration loans. Fiscal year.

Non-real-estate farm debt has not risen so fast nor so high in this war as in World War I. In the spring of 1914 this debt to commercial banks was 1.6 billion dollars. By July 1918 it was 2.5 billion and by the end of 1920 it had reached 3.9 billion dollars (fig. 11). On January 1, 1945 the non-real-estate debt on which farmers were personally liable to principal credit institutions was less than at the beginning of World War I. During the current war, such debt reached its highest level in early 1942. Up to then credit was widely used in expanding production and buying consumers' goods. Later, larger farm incomes and shortages of goods and labor tended to decrease the need for such credit by many farmers.

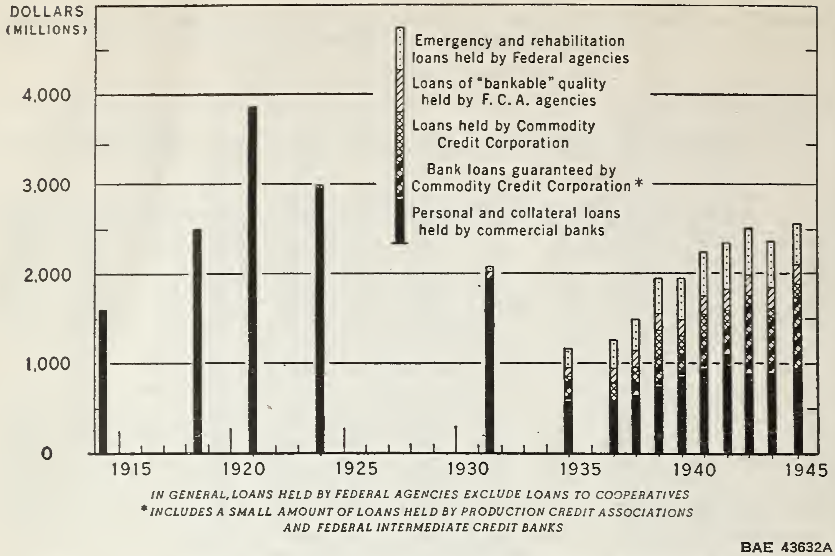

FIGURE 11.—NON-REAL-ESTATE LOANS TO FARMERS HELD BY PRINCIPAL CREDIT INSTITUTIONS, UNITED STATES, ON VARIOUS DATES, 1914–45.

Since the early 1930's the Federal and federally sponsored agencies have been making an increasing proportion of the short-term loans to agriculture. Before then, commercial banks made the bulk of institutional loans. During and immediately after World War I short-term loans of banks increased rapidly. So far during this war there has been no corresponding increase in such debt. Short term loans of the principal credit institutions on January 1, 1945 totaled 2.5 billion dollars, of which more than a third were nonrecourse Commodity Credit Corporation loans.

MISCELLANEOUS CREDITOR LOANS

In addition to loans from the lending institutions, farmers obtain a considerable amount of non-real-estate credit from merchants, dealers, finance companies, and individuals. Little information is available on which to base an estimate of the volume of such miscellaneous farm debt. It is believed that such debt may be around a billion dollars. Whereas non-real-estate loans outstanding from banks and Federal and federally sponsored agencies have increased during the period 1940–45, similar loans from miscellaneous sources appear to have declined substantially.

COMMODITY CREDIT CORPORATION LOANS

Loans made or guaranteed by the Commodity Credit Corporation and secured by farm products, are primarily for the purpose of supporting prices and thereby encouraging farmers to increase production of essential commodities. Some of the loans are made directly by the Corporation but the larger portion is made by local banks under guarantee of the CCC. Outstanding loans on January 1, 1945, were 36 percent greater than a year previous and amounted to about a quarter

[6] The amount of CCC guaranteed and direct loans reported by commercial banks and Federal agencies totaled 961 million dollars on January 1, 1945 (table 19). This figure includes a large but as yet indeterminate volume of direct advances made by banks to CCC in connection with the purchase of Cuban sugar, wool, and other products. Such items are in fact not loans to farmers. For this and some less important reasons, the 961-million-dollar figure used in the balance sheet considerably exceeds the 723 million dollars reported by CCC—a figure which does not include loans held by federally sponsored lending agencies but does include about 92 million held by cooperatives which are not covered by table 19. A reconciliation will be effected as soon as possible.

of the total non-real-estate debt of farmers.[5] Loans made or guaranteed by CCC, however, involve no personal liability on the part of the farmer inasmuch as the law requires that such loans be nonrecourse. In fact many farmers regard the loan proceeds as income and they may be so treated for income tax purposes.

New loans made to farmers under the CCC program during the fiscal year 1944 totaled 508 million dollars compared with 806 million dollars in 1943 and 626 million in 1942. New loans declined principally because market prices generally were above loan values. The increase from January 1, 1944, to January 1, 1945, in loans outstanding is accounted for in part by the fact that 300 million dollars in cotton loans made in 1942 and 1943—a larger carry-over than usual—remain unliquidated. Of the loans reported by the CCC as outstanding on January 1, 1945, 61 percent were secured by cotton and 32 percent by wheat.

Proprietary Equities

The proprietors for whom equities are recorded on the balance sheet include all farmers, both tenants and owner-operators as well as all landlords and owners of manager-operated farms. These proprietors hold more than a 90-percent interest in the assets associated with agriculture. However important the interest of creditors may be in individual cases, in the aggregate it amounts to less than 10 percent of the present total of agricultural assets. The difference between land values and mortgage loans, which may be called "landowners' equity in real estate," amounted to 45,024 million dollars on January 1, 1945. "Farmers' equity in non-real-estate assets as a whole"—the difference between non-real-estate assets and non-real-estate debts—was 36,796 million dollars. Excluding the financial assets, the equity in non-real-estate assets was 20,008 million dollars. Total proprietary equities at present price levels amounted to 81,820 million dollars. The comparable figure for January 1, 1940 was 43,784 million dollars.

Landowners (both on and off farms) increased their equity in real estate by 5,067 million dollars during 1944. The increase is attributed to a 364-million-dollar reduction in mortgage debt and a 4,703-million dollar increase in the valuation of real estate. As the increased valuation of real estate was mostly the result of a change in prices, it may or may not endure.

The equity held by farmers in non-real-estate assets appears to have increased 3,380 million dollars during 1944. Financial assets increased 3,590 million dollars and the value of physical non-real-estate assets decreased 67 million dollars.[6] The non-real-estate debt apparently increased 142 million dollars.

SIGNIFICANCE OF FINANCIAL CHANGES

The foregoing presentation pictures the financial condition of farmers on January 1, 1945, as more favorable than on any preceding date for which balance sheets have been constructed. Assets, both physical and financial, were at new highs, debt was at a new low, and owner equities were correspondingly increased. Moreover, liquidity had greatly increased during the war.

These changes stem basically from the large increase in Federal expenditures associated with defense and war. Physical assets like crops and meat animals, which were ready or in preparation for market,

[6] Because of rounding, the decrease that may be derived from the balance sheet is 18 million dollars.

rose in value as prices and production of these items responded to direct governmental support and to increased demand which came first from areas where expenditures for military goods generated large additions to industrial pay rolls, and later from most segments of the economy. Physical assets like land, equipment, and dairy herds, which were capable of producing a series of annual incomes, rose in value as the outlook for prices and production seemed to assure a continuing high level of farm income. Financial assets grew and debts declined as higher net incomes were realized by farmers and as avenues of expenditure were narrowed.

Improvement of financial condition resulting from Federal expenditures on defense and war was by no means limited to agriculture. Most other businesses experienced improvement which varied considerably in degree and in the time when it occurred. The funds spent by Government filtered down to some more quickly and in larger volume than to others.

The large accumulations of deposits and currency, which now contribute so much to the liquidity of farmers and of other individuals and business firms, were made possible by the practice of the Federal Government of selling a large part of its defense and war issues to the commercial banking system. Ordinarily commercial banks pay for securities bought from the Government by crediting the deposit account of the Treasury in these banks for the amount involved. This adds a corresponding amount to the total deposits in the banking system as the procedure requires no cancellation of existing deposits like that which occurs when Government securities are bought by others and paid for by check.

Thus a large part of what the Government has spent on defense and on war was bank deposits freshly created by the banking system. Borrowing from commercial banks permitted the Government regularly to add much more to the deposit and currency holdings of individuals and business firms through disbursements than it removed by taxes and loans. As payment of public and private debt at commercial banks by no means offset new Federal borrowing, the total volume of bank deposits and currency owned by private individuals and firms could not fail to rise. This increase in spending power has contributed to the rise in demand for many things which has resulted variously in greater physical volume of production, in higher prices, and in larger incomes. Larger incomes have been the immediate source of the growing financial assets throughout much of the economy.

For many business firms the increase of income during the war has not been matched by increase of outgo, partly because costs have lagged behind gross receipts. This tendency has been most pronounced where fixed costs are relatively important. Enterprises like farms, the railroads, and retail establishments—to mention prominent examples—have enjoyed an increase in gross receipts far beyond the increase in some of their major costs. To the extent that such costs as rent, interest, and local property taxes have lagged, whether because of inertia, long-term contracts, or governmental restrictions, they have contributed to debt reduction by these enterprises and to the growth of cash balances and other liquid assets.

Shortages of new equipment and materials, and Government restrictions on replacement and expansion, have prevented many farmers and other businessmen from replacing worn equipment and from add-

ing to their plants. This inevitable consequence of total war has made additional amounts available for debt reduction and has contributed to swollen cash balances in many enterprises. Had new equipment been available large sums would have been spent by farmers, the railroads, and others for such capital goods.

The disproportionately large cash balances so prevalent in many segments of the economy are also partly the result of a widespread disposition to keep business assets as liquid as possible until postwar markets and competition can be more accurately appraised. So long as abundant financial assets are retained it will be possible to make such changes in products or in methods of production as may become necessary to profitable operation. This attitude of caution has obvious merit, but it is not without some danger to the economy as a whole. If hesitation to buy needed equipment and to make desirable improvements is carried too far it might result in a considerable degree of business stagnation. For this reason nothing should be left undone to clarify these domestic and foreign policies which may influence the future both for agriculture and for other business.

The high proportion of liquid assets which now characterizes so large a part of our economy may be lowered if, in attempting to reduce or refinance its debt, the Government draws through taxes and loans from the cash holding of individuals and business concerns a larger amount than it returns to them in expenditures, including interest and principal payments. Such fiscal operations necessarily would reduce Government debt held by commercial banks. Unless such reduction is offset by an expansion of nongovernmental loans and investments it would simultaneously extinguish an equal amount of deposits or currency now contributing to the liquid condition of farmers and other private concerns.

Even if future fiscal policy does not reduce the volume of governmental and private debt held by commercial banks, the present high proportion of liquid assets is likely to last no longer than the lag in business costs, the shortages of capital goods, and the uncertainties of postwar markets, which so far have prevented normal outlays for replacements and new equipment. Were all three factors to disappear, business expenditures would presently reduce the ratio of financial to physical assets, and debts might rise. Such financial changes might contribute to fuller use of resources than otherwise would occur. On the other hand, it is conceivable that, with present restraints on output of civilian goods and on prices removed, a wave of buying might develop in which liquidity would be dissipated and a precarious price structure would be raised.

Developments like those so far discussed may be expected to affect liquidity in the various parts of the economy in much the same way. Other developments may influence special parts of the economy differently.

For example, if the postwar readjustment of markets and of prices are such that agriculture does not obtain through sales or loans as large a volume of dollars as it expends, a drain of cash balances from farmers to others will set in. Such a movement may be particularly pronounced if, encouraged by prosperity, farmers undertake to crowd into the first year or two of the postwar period repairs and replacements that were in many instances behind schedule in 1940 and were necessarily postponed during the war. An important outflow of

farmer-owned deposits is likely to occur also if a series of low-income years should prevent farmers from meeting current bills with current income.

The present high liquidity of agriculture will, therefore, be reduced sooner or later in all probability whether times are good or bad for farmers. If skillfully managed, their financial assets may enable farmers to adjust farm operations to a profitable basis despite probable large-scale changes in postwar demand for farm products and in the technology of agriculture. In any case these assets will facilitate physical adjustments as these become necessary and are undertaken by farmers. To that extent the growth in financial assets represents a real and a dependable gain. It is true that the purchasing power and usefulness of cash balances and Government bonds decline when prices in general rise. But the very nature of farm operations compels farmers to maintain a relatively large investment in physical assets, which provide protection against grave injury brought by advancing prices. Historically, rising prices have benefited farmers, and falling prices have brought distress. It is against falling prices that farmers' holdings of bank deposits, currency, and savings bonds provide some protection. And in a situation in which uncertainty of future prices is great it is desirable that both physical and financial assets be well represented on the balance sheet.

The temptation to give a more rosy interpretation to agriculture's current balance sheet than the situation warrants will be lessened by consideration of possible developments which might undermine present valuations. For example, the perpetuation of the current valuation of farm real estate depends largely on a continuation of farm income at levels that so far have never been long maintained in times of peace. Prudent farmers will allow for the possibility of a decline in income after this war when they lay their plans for future operations and as they try to anticipate future values of land and equipment. Similar considerations concerning the other physical assets will have a sobering effect on those whose plans require that the prices of crops and livestock do not fall. War prices for goods from the farms have seldom survived for long in the postwar eras, and wartime relationships between prices for farm and other goods usually have not endured.

Conservative financial management will recognize the possibility that a considerable portion of the present assets (and equities) may disappear through a fall in prices. Such a fall may not occur, but it is surely a contingency which should not be overlooked, and new commitments should be made only with this possibility in mind.

A part of the financial assets might wisely be set aside to take care of deferred maintenance, conversion, and expansion of plant, as these become possible and desirable. Reference has already been made to the need for heavy expenditures for these purposes. Immediate recognition that heavy outlays may be necessary to maintain the farm plant at a high point of efficiency, or to convert it for the production of new crops or animal products under conditions that cannot yet be clearly forseen, may forestall extravagant expenditure of the large cash balances that are now owned by many farmers.

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